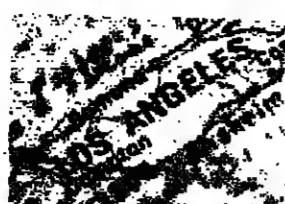


هذه امة لا تطغى

# FINANCIAL TIMES

Start the week with...



**Christopher Parkes**  
*Dressing down in America*  
Management, Page 12



**Economics Notebook**  
*Too many graduates in 2001?*  
Robert Chote, Page 10



**Samuel Brittan**  
*Bundesbank's role in Emu*  
Page 18

World Business Newspaper MONDAY FEBRUARY 12 1996

## Two Algiers car bombs kill 17 and injure at least 90

Two car bombs ripped through Algiers, killing at least 17 people and wounding 93 in the city that is caught in conflict between security forces and Moslem fundamentalists. The second bomb exploded outside a building housing the main offices of major Algerian newspapers and an earlier explosion shattered the town hall in Bab El-Oued, a working class district. Algerian authorities have blamed a series of four bombings in the past week on Moslem militants fighting to topple them. An estimated 50,000 people have been killed since violence broke out in 1992 after the authorities cancelled a general election dominated by the Islamists.

## Holbrooke warning to Bosnia factions

US envoy Richard Holbrooke (left) warned Bosnia's factions they had no choice but to implement the Dayton peace accord fully. "We are here to insist on full compliance with Dayton, no exceptions, no changes," Mr Holbrooke said in Sarajevo. Last week the Bosnian Serb army broke off contacts with Nato after the Bosnian government detained several Bosnian Serbs as suspected war criminals. Four of the detainees were freed on Saturday.

## Anti-virus software company sold

The husband and wife who developed the Dr Solomon's Anti-Virus Toolkit software package have sold their company to a management buy-out for reportedly between \$20m and \$30m (\$40m). The buy-out places the Solomons among Britain's most successful software entrepreneurs. Page 8; Media Futures, Page 15; European PC sales up 20 per cent, Page 22

## Doubts over Caspian oil deal

An accord on transporting the oil that will soon be flowing in huge quantities from the Caspian Sea could be jeopardised by an apparent hardening of Russia's position over the sea's legal status, according to senior British officials. Page 2

## Zhirinovskiy begins Russian poll race

"A sea of vodka", three white horses and ringing church bells announced the unofficial beginning of the race for the Russian presidency as Vladimir Zhirinovskiy, the flamboyant ultra-nationalist, launched his own campaign with a showy silver-wedding celebration. Page 2; Lex, Page 20

## Eurotunnel, the Anglo-French company which operates the Channel tunnel rail link between Britain and France, plans to spend up to \$400m (\$600m) over four years improving passenger facilities. Page 20; Spanish link proposed, Page 14

## Italian phone truce on verge of collapse

A fragile truce between Italy's two cellular phone companies is likely to fall apart today over a key element of the accord regulating the country's digital network. Page 2; Bundesstag dials up trouble with telecoms deal, Page 2

## Lisbon spells out privatisation plans

Portugal's Socialist government is to undertake an extensive privatisation programme that aims to raise more than Ecs300m (\$2.4bn) this year. Page 2

## Cable TV seeks Dutch soccer coverage

The Royal Dutch Football Association has unveiled plans to set up a separate television sports channel to broadcast Dutch football matches. This would effectively shut out public television from the country's most popular sport. Page 2

## De Beers cartel's diamond trade queried

The international diamond cartel organised by De Beers of South Africa has a far smaller share of global trade in rough or uncut diamonds than it claims, according to an independent analysis of the market. Page 21

## Banks to be picked for Polish sell-off

Poland is about to appoint the investment banks which will manage the international public offering of state copper producer Polska Miedz, expected to value the company at about \$2bn. Page 21

## New impetus to search for aliens

The recent discovery of three planets orbiting distant stars has given new impetus to the scientific search for extraterrestrial intelligence. Page 3

## European Monetary System

The Spanish peseta last week took advantage of a lull in the debate over a single European currency to climb four places to the top of the EMS grid. The order of currencies was otherwise unchanged, with the pound between strongest and weakest widening slightly. France's central bank trimmed the intervention rate to 3.90 per cent. Currencies, Page 29

## EMS: Grid



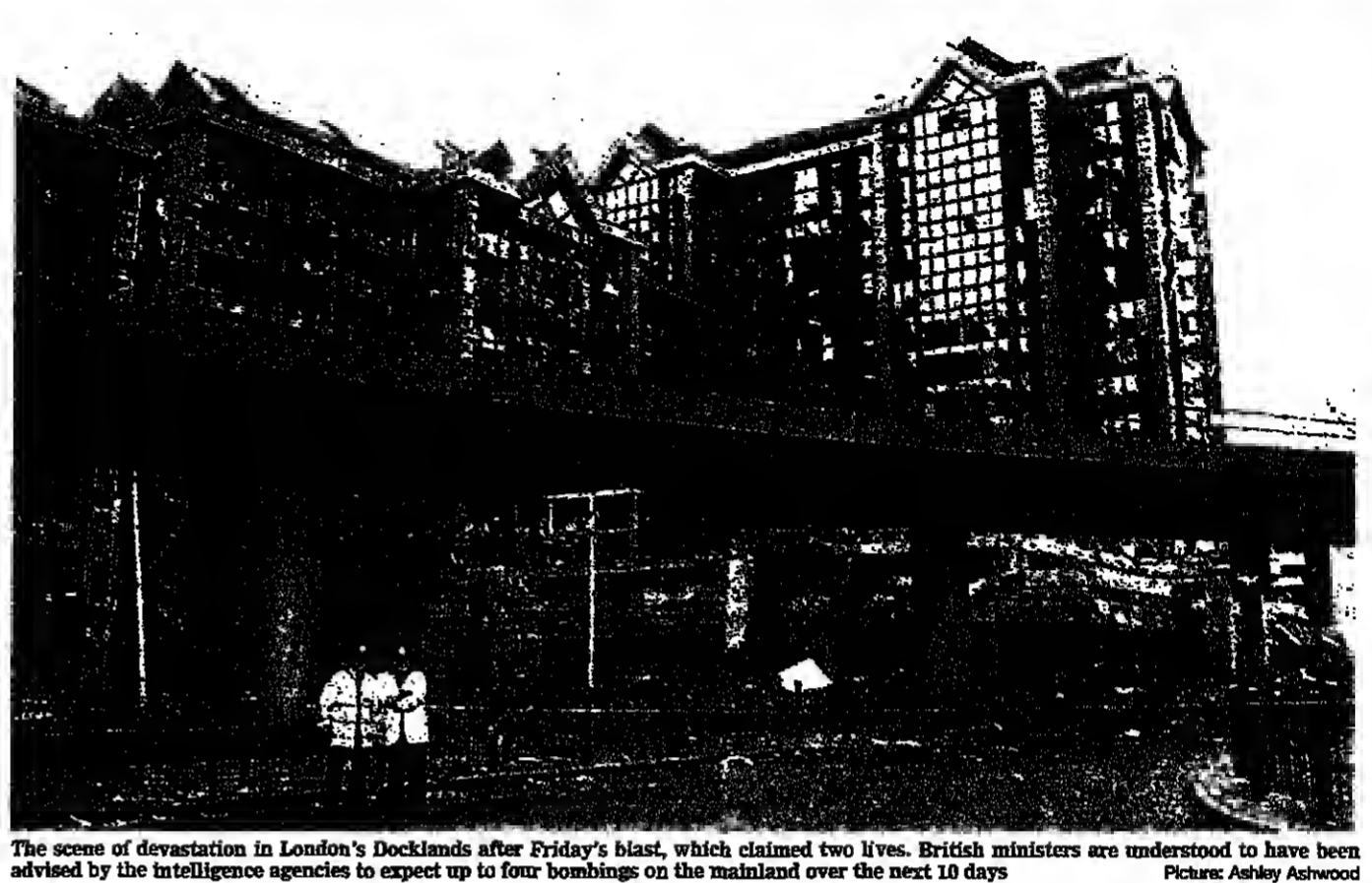
The chart shows the member currencies of the EMS grid measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Austria	136.20	Germany	100.00	Lithuania	15.00	Costa	CR12.00
Belgium	36.36	Greece	166.67	Latvia	100.00	Sri Lanka	SR12.00
Denmark	136.20	Hong Kong	7.75	Luxembourg	40.33	Singapore	S\$4.30
France	166.67	India	166.67	Macao	100.00	Slovakia	SK 50.00
Italy	136.20	Japan	166.67	Mexico	16.67	Slovenia	SI 20.00
Netherlands	100.00	Korea	166.67	Norway	100.00	South Africa	R12.00
Portugal	200.00	Malaysia	166.67	Spain	166.67	Sweden	SKr 10.00
Spain	166.67	Philippines	166.67	Switzerland	100.00	Thailand	THB 50.00
UK	100.00	Singapore	166.67	Taiwan	166.67	Turkey	TL 20.00
USA	100.00	South Korea	166.67	Yemen	166.67	Yemen	Y 20.00

## More IRA attacks feared ■ Major to end Sinn Féin contacts unless ceasefire resumes

# UK set to press ahead with Ulster poll plans

The UK is expected to press on with its controversial plans to hold elections in Northern Ireland, in spite of stiff opposition from Dublin, as the British and Irish governments made desperate attempts to salvage the peace process following Friday's IRA bombing in east London. Two people died and more than 100 were injured in the explosion, which damaged buildings in the city's Docklands area. Amid concern from the security services that there may be further IRA attacks, there were also warnings last night from officials and senior Tories of an escalation of terrorist violence and possible loyalist retaliations, which could extend to the streets of Dublin for the first time. Following a meeting last night with senior British ministers, Mr John Major, the UK prime minister, will today tell the House of Commons that ministerial contact with Sinn Féin will cease unless the IRA renews its ceasefire. A similar ban on talks with Sinn Féin, the IRA's political wing, is being adopted by Dublin. Mr Major will also reiterate that an elective process remains his preferred route to all-party talks on a Northern Ireland settlement, in spite of comments yesterday from his Irish counterpart, Mr John Bruton, that such a move "immediately after the resumption of violence would pour petrol on the flames". A colleague of Mr Major said it would be "naïve" to expect the British government to soften its stand on elections. Mr Bruton and Mr Major talked yesterday afternoon, when they agreed that "the priority is an immediate end to violence and restoration of the ceasefire", a Downing Street official said. They will meet later this month. Mr Bruton yesterday criticised the IRA with only two options over the past fortnight: to hand over weapons or agree to elections. Mr Bruton said he would press for a meeting involving all groups to resolve the peace deadlock, modelled on the Dayton, Ohio conference which brokered an end to the Bosnia conflict. In the wake of the South Quay bombing, British ministers are understood to have been advised by intelligence agencies to expect up to four bombings on the mainland in the next 10 days. "The commissioner of London's Metropolitan Police, said it was "extremely concerned" further attacks could occur "any time, anywhere" on the mainland. Loyalist politicians have been urging their supporters to remain calm, but Mr Billy Hutchinson, of the Progressive Unionists, a fringe loyalist party with links to



The scene of devastation in London's Docklands after Friday's blast, which claimed two lives. British ministers are understood to have been advised by the intelligence agencies to expect up to four bombings on the mainland over the next 10 days. Picture: Ashley Ashwood

Continued on Page 20

## Japan and S Korea in stand-off over island

A group of senior MPs from Japan's ruling coalition yesterday cancelled a scheduled visit to South Korea because of a bitter diplomatic dispute over the ownership of a small island in the Sea of Japan. The delegation pulled out after South Korean president Kim Young-sam refused a planned meeting with them set for today, and issued an unusually harsh statement denouncing a formal protest by Tokyo over the Korean construction of a landing jetty on the island known as Tok-do in Korean and Takeshima in Japanese. "Once again, Japan has stirred the anger of the entire Korean people by making a preposterous claim to the island," said the president's statement. "We, the Korean people, will firmly reject the claim and resolutely deal with any problems arising from it." The dispute brings the often prickly relations between Japan and Korea to another low. It is the latest in a recent series of island disputes in the area and comes when nationalist feeling in Japan and South Korea is rising. Japan claims the disputed island under an agreement with Seoul in 1952, when it began to assert colonial rule over the Korean peninsula. Seoul regards the agreement as invalid by claiming it was signed under duress. South Korea, which formally claimed sovereignty over the island in 1952, has for the last 40 years stationed a police garrison on the outcropping of rocks, otherwise inhabited only by a middle-aged fishing couple. The issue, a long-standing irritant, has come to a head with Seoul's alarm at Japanese preparations to declare a 200-mile exclusive economic zone around its territory, including the

## Brussels wants trade tied to labour rights

Move may anger partners in developing countries. The European Commission will this week commit itself to promoting minimum standards for social conditions in international trade pacts, in a move likely to provoke an angry response from trading partners in developing countries. The Commission will call on the European Union to take a "progressive stance" on the issue of social standards by asking for a working party to be set up under the World Trade Organisation to look into the question. Last week Asian officials warned that inclusion of such issues as human rights and democracy could damage the first meeting between EU and Asian heads of state in Bangkok next month. "The Commission's call comes in a strategy paper on trade policy drawn up by five commissioners including Sir Leon Brittan, the EU's chief trade negotiator. The paper is designed to prompt debate on what the EU will table at the WTO ministerial meeting in Singapore in September. EU officials said there was resistance from Sir Leon to committing the EU to a tough stance on social standards. Until early last year, Sir Leon was hostile to suggestions that labour standards should be included in the debate on world trade policy. However more recently he has accepted that the issue needs to be debated, if only to pacify those advocating action. The paper says that "some practices, such as preventing freedom of association and using forced labour, cannot be justified in terms of the level of economic development", adding that certain "basic social laws banning forced labour and child labour or guaranteeing the freedoms of association and of collective bargaining are universally recognised within the International Labour Organisation". The paper argues that "it is only natural that such basic social aspects should be considered in evaluating relations with non-Community countries or defining policies with a strong social component", and that it is "legitimate to discuss social matters in the multilateral context". The document says the view that some practices were unacceptable was gaining ground in international forums. The fact that the subject was under discussion "should finally mean that this is no longer seen as a protectionist gambit". But the paper adds there is no question of depriving developing countries of their comparative advantage in labour costs. The document also points out that it is "better to discuss these matters in a multilateral forum". The British government has opposed linking social standards to trade policy and is expected to resist the Commission's drive to take a tougher stand. However, other countries, particularly France, have campaigned for minimum social standards in international trade agreements.

## New body parts 'will be grown from human cells'

Doctors will soon be able to replace almost any part of the body with implants engineered from living cells and synthetic materials, the American Association for the Advancement of Science was told yesterday. Researchers from universities and biotechnology companies said clinical trials or animal tests were already under way with replacement skin, bones and cartilage for joints, and with key parts of the heart, kidneys, pancreas and other vital organs. Looking further ahead, Professor Robert Langer of the Massachusetts Institute of Technology raised the prospect - in 20 or 30 years' time - of an "artificial womb" which would sustain premature babies for several weeks until they were ready to face the world. The brain is the only organ whose replacement will remain off-limits for the foreseeable future. But scientists expect soon to learn how to grow individual human nerve and brain cells, and microelectronic devices will also substitute for some nerve tissues. The basis of much tissue engineering, according to Prof Langer, is to make a scaffold for the

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Total funding raised £84.3m - Managed and arranged by 3i plc and the Corporate Finance practice of Coopers & Lybrand

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International News	4	Features	19	Arts Guide	17	FTSE/A-Wid Index	24
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Guides to the Week	26	The Week/People	10	The Markets	24		



# Forbes fails to win over Iowa's right

Voters in Iowa will pass their verdict today in straw polls to help select this year's Republican candidate for US president. set the party's agenda for economic and social change - and reveal whether Mr Steve Forbes, the multimillionaire publisher, can mount a serious challenge for the presidency.

The nine men who aspire to be the Republican presidential candidate spent the weekend attacking one another, trading allegations of negative tactics, and courting ultra-conservative voters of the religious right, who are likely to form at least a third of all caucus-goers.

Mr Forbes - who has bought millions of dollars worth of television advertisements to attack the Republican front-runner, Senator Bob Dole, and other rivals - complained at the weekend that he was a victim of negative campaigning. He accused Mr Dole of using anonymous telephone callers in a "campaign of distortion" against him, designed to present him as a social liberal on issues such as abortion.

Mr Forbes is widely despised by the religious right, which dominated the final key event of the Iowa caucus campaign with a rally at a Des Moines church on Saturday night, called to protest against gay and lesbian marriage.

Only three conservative candidates attended the event - the commentator Mr Pat Buchanan, black conservative Alan Keyes, and Senator Phil Gramm of Texas. But all the main Republicans, including the supposedly liberal Mr Forbes, pledged their support for the rally's resolution condemning any moves to allow single-sex marriage. Mr Buchanan urged voters to reject the "false god of gay rights". Other candidates tried to enlist God on the side of causes as disparate as introducing a flat income tax and welfare reform.

Tonight's caucuses, which will bring Republicans and Democrats together separately in schools, town halls and homes to vote in a straw poll for the presidency, could be heavily influenced by voters from the Christian right. But they are not expected to vote.



Senator Dole on the campaign trail in Iowa at the weekend.

# Digital Barbie sets the trend in \$1bn market

Virtual Barbie, a digitalised version of the "real" queen of playland, is to lead an attempt by Mattel to exploit an untapped sector of the toy market, worth an estimated \$1bn a year.

In company with characters such as Polly Pocket and Cabbage Patch Kids - but leaving behind her male friend, Ken - Barbie, her wardrobe and make-up kit have been transferred on to CD-Rom.

The California-based multinational hopes its first computer products, developed and marketed by a new subsidiary, Mattel Media, will capture the imaginations of girls aged between six and ten, who typically spurn computer games and entertainments.

Mr Doug Glen, president of the new company, hopes to hitch his products to the rising trend in multi-media home computer sales.

By the end of this year, he says, the number installed in US households should be well above 20m.

According to Mr Glen, girls "drop out" of the market at the age of six, after mastering mainly educational software, and turn to typical play patterns. These, he says, reflect children's perceptions of what

Scientists remain optimistic that systematic hunt for radio signals will pay off eventually

# Search for alien life form draws a blank

By Clive Cookson in Baltimore

We are still alone. The recent discovery of three planets orbiting distant stars has given new impetus to the scientific search for extra-terrestrial intelligence, known as SETI to its devotees, but no clear signals have yet been detected.

The leaders of the world's four main SETI projects, all based in the US, met at the American Association for the Advancement of Science conference in Baltimore yesterday to review progress - or the

lack of it. All the participants said they remained optimistic that their strategy - to search the sky systematically for microwave radio signals from alien civilisations - would pay off eventually.

And they hoped that publicity over the discovery of new planetary systems would bring in private research funds to support SETI.

The US Congress cut off public funding through the space agency Nasa in 1993 as some politicians portrayed the scientific search for extra-terrestrial

intelligence as being little different from the unscientific investigations of UFOs and alien abductions.

In fact, said Prof Lori Marino of Emory University, one of the conference organisers, "SETI is pursued using the scientific method. It is as different from the pseudoscience of UFOs as any college course in physics or chemistry would be."

None of the four groups has found clear evidence of intelligent signals from outer space, despite occasional claims to the contrary in the media.

Hundreds of stars, including those recently discovered to have planets, have been scanned without success.

"Absence of evidence is not evidence of absence of extraterrestrial civilisations," said Prof Dan Werthimer, head of the Serendip search at the University of California, Berkeley. "Our civilisation is just beginning to develop the techniques, and our capabilities for search are doubling every year."

Perhaps the most puzzling signal detected so far was recorded in 1977 at Ohio State

University's radio telescope. This so-called "Wow" signal - named after the scientists' initial reaction to it - was an "astoundingly strong" burst of microwave radiation in an extremely narrow band, said Professor Robert Dixon of Ohio State.

The Wow signal could not have originated from any known natural process, but unfortunately it lasted only for a minute and, despite many searches over the years at the same frequency, has not been heard again.

Prof Dixon said yesterday that he was about to re-analyse recordings of the signal, with a grant from the Planetary Society, in an attempt to solve the mystery.

Meanwhile, radio signals from Earth radiate out through the cosmos. "Early television broadcasts such as 'I Love Lucy' have gone past several thousand stars so far," said Prof Werthimer. "Perhaps we will one day intercept another civilisation's unintentional leakage or even an intentional message beamed our way."

# Cuts at Northrop hit aircraft sector optimism

By Christopher Parkes in Los Angeles

Hopes raised by Boeing's plans to take on new workers in the west coast aircraft industry's first large hiring programme since 1988 have been hit by the threat of further cuts at Northrop Grumman.

The military aircraft specialist, which last week reported record profits for 1995, is expected to reduce its assembly workforce by at least 1,000 in the short term following Thursday's announcement that the Defence Department will not be ordering more Northrop B-2 bombers.

Although a formal jobs policy announcement is not expected for two weeks, Boeing shares rose to a 52-week peak of 82 1/2 on Friday following reports that the Seattle-based group would hire 5,000-7,000 people in the next 12 months.

The mood in the group, which shed almost 30,000 jobs in the last recession, has been improved by stronger foreign orders, although most are for smaller aircraft.

US carriers are still bogged in extended price wars and are reluctant to invest in fleets.

The economy in Washington state

is among the weakest, with manufacturing employment falling more than 8 per cent last year, compared with a decline of only 0.2 per cent in the region as a whole.

California, on the other hand, is riding a wave of expansion in the entertainment and electronics industries which has obscured continuing strains in the aircraft business.

McDonnell Douglas, which has large plants in Los Angeles, may benefit from some increased contract work on Boeing aircraft components, but the basic difficulties caused by lagging behind Boeing and Europe's

Airbus Industrie in the civil aviation market remain unresolved. On-off merger talks with Boeing are expected to resume soon.

Meanwhile, Northrop Grumman, which is completing the \$3bn purchase of Westinghouse's defence and electronics arm, continues its transformation into an electronics concern.

The wisdom of the strategy was underscored by last week's bad news from the White House, which followed several months of hints that President Bill Clinton favoured buying more B-2 "stealth" bombers.

Los Angeles-based Northrop has not yet decided on the future for the B-2 workforce, estimated at almost 9,000, when the air force's current order for 30 aircraft is completed in 1998.

Plans had already been drafted for extensive payroll cuts and factory closures as part of the group's focus on industry sectors less sensitive to political pressure and government budget squeezes.

Some staff will still be needed beyond the turn of the decade to update and modify aircraft already in service.

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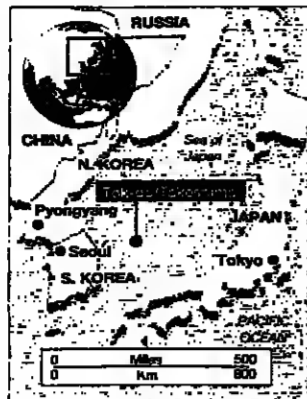
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NEWS: INTERNATIONAL

Japan and S Korea bring territorial row to a head as nationalist sentiment hardens

# Battle lines drawn over island dispute

The row between Japan and South Korea over the ownership of an island in the Sea of Japan represents a potentially serious dispute, with neither side preparing to back down as nationalist sentiment hardens in both countries.



Mr Ryutaro Hashimoto, leader of Japan's Liberal Democratic party and a proponent of an assertive foreign policy, marked a shift to the right when he took over as prime minister last month from the pacifist Mr Tomiichi Murayama, the head of the Social Democratic party.

South Korea, still harbouring painful memories of its time as a Japanese colony from 1910 to 1945.

## China 'pirate' ship held

The Philippine Navy seized a suspected Chinese pirate ship and its 20 crewmen over the weekend after they tried to ram a boat in a gun battle north-west of Manila.

and off ever since the two nations established diplomatic ties in 1965. Indeed, the delegation of Japanese MPs that was due to arrive in Seoul yesterday, and which has now been cancelled because of the island dispute, was to discuss other problems, such as the question of compensation for Korean "comfort women" forced to be prostitutes for Japanese soldiers during the war.

A United Nations panel last week called on Japan to make official compensation, but Tokyo rejected the recommendation, which has further poisoned relations with Seoul.

Japan's renewed interest in what it calls Takeshima, and the Koreans call Tok-do island, has confirmed the worst fears of officials in Seoul that the inauguration of Mr Hashimoto as prime minister would lead to increased tensions.



South Koreans, angered by Tokyo claims, chant anti-Japan slogans in a Seoul park yesterday

nationalism and territorial expansion. President Kim Young-sam is under strong political pressure to take a firm response to the Japanese challenge. The Korean public has a higher awareness about the island than the Japanese. There is even a popular song whose refrain begins "Tok-do is our land".

The row has provoked an emotional response in South Korea. Demonstrations have been held outside Japanese diplomatic offices, while a group of prominent Korean writers plans to sail to Tok-do. But there are suggestions that Mr Kim welcomes the public outrage and is even encouraging it as he faces tough parliamentary elections in April.

ing party, which has been threatened with the loss of its majority in the National Assembly. Mr Kim appeared to be catering to public opinion at the weekend by releasing an unusually strong statement attacking Japan over Tok-do despite a recommendation by foreign ministry officials to take a more low-key approach.

John Burton and William Dawkins

# Canberra targets tariff scheme to pay for pledges

By Nikki Tait in Sydney

Australia's federal government yesterday said it would scrap a scheme under which importers are given a tariff concession if there are no local manufacturers of substitute goods.

Willis. Its abolition, which would coincide with a fall in the general tariff rate to 5 per cent, would generate about A\$1.76bn over four years, he added.

# Japanese recording industry seeks harmony over royalties

Government and business at odds over rights says Michiyo Nakamoto

In the cramped, twisting back streets of Shibuya, a popular part of Tokyo frequented by the young, makeshift stalls are erected in the evenings to display an array of CDs including rock and pop, classical music and jazz.

These CDs tend to be compilations of music from the 1960s and earlier, since Japanese law does not protect neighbouring rights for music recorded before 1971.

The association has been lobbying against abolition of the resale price maintenance system, which has been criticised as an anti-competitive practice that keeps prices high in Japan.

Thanks to the system, Japan's market, which is half the size of that in the US, where there is no such system, has three times as many CD titles in the shops. If Japan has to change its rules, Japanese consumers will find themselves deprived of one of the few things in the country that seem genuinely cheap.

# Bangladesh election violence claims 12th life

By Mark Nicholson in Dhaka

Political violence in Bangladesh yesterday claimed its 12th life in the run-up to Thursday's opposition-boycotted elections.

with shotguns, teargas and water cannons broke up a rally of around 5,000 opposition demonstrators, many hurling bricks and home-made bombs.

gadhesh's present constitution, arguing that she is also constitutionally obliged to proceed with this week's poll even in the face of a boycott.

"farical" and "voterless" election which, Sheikh Hasina said yesterday "must be stopped".

Despite skirmishes expected across the country, particularly in Dhaka and Chittagong, on election day, the government, backed by 200,000 police and security personnel at 21,000 polling stations, is set on holding the poll, hoping that this year's election will be a more orderly one.

Argentina's governing Peronist party yesterday celebrated the disintegration of the Frepaso party, whose two main leaders said they could no longer work together.

INTERNATIONAL NEWS DIGEST

## Taiwan to lift shares ceiling

Taiwan plans to lift a ceiling on foreign investments in domestic shares from 15 per cent to 20 per cent of total market capitalisation, the central bank said. The move could take effect as early as the end of this month, in time to boost flagging share prices before the country's first presidential elections.

China's trade surplus is expected to fall sharply this year to about \$5.5bn from last year's \$16.6bn, following reductions in tariffs and a cut in tax rebates on exports.

France 'to stick to Emu rules' France will stick to the timetable and rules for European monetary union, Mr Alain Juppé, prime minister, says in today's *De Weit* in an interview timed to coincide with his meeting in Bonn later in the day with Chancellor Helmut Kohl.

Rumours hit Taiwan bank A medium-sized Taiwanese bank has suffered a run on deposits following rumours that the bank's chairman had borrowed from the bank to invest in shares.

Cuba frees three prisoners Cuba has released three political prisoners to a visiting US Democrat congressman, in an apparent goodwill gesture aimed at trying to persuade President Bill Clinton to change US policy towards Cuba.

Severe floods hit Jakarta The Indonesian capital has been hit by severe floods for the second time in a month, leaving thousands homeless and disrupting electricity supplies and telephone lines.

Row splits Argentine party Argentina's governing Peronist party yesterday celebrated the disintegration of the Frepaso party, whose two main leaders said they could no longer work together.

## SAMSUNG, SIEMENS & FUJITSU

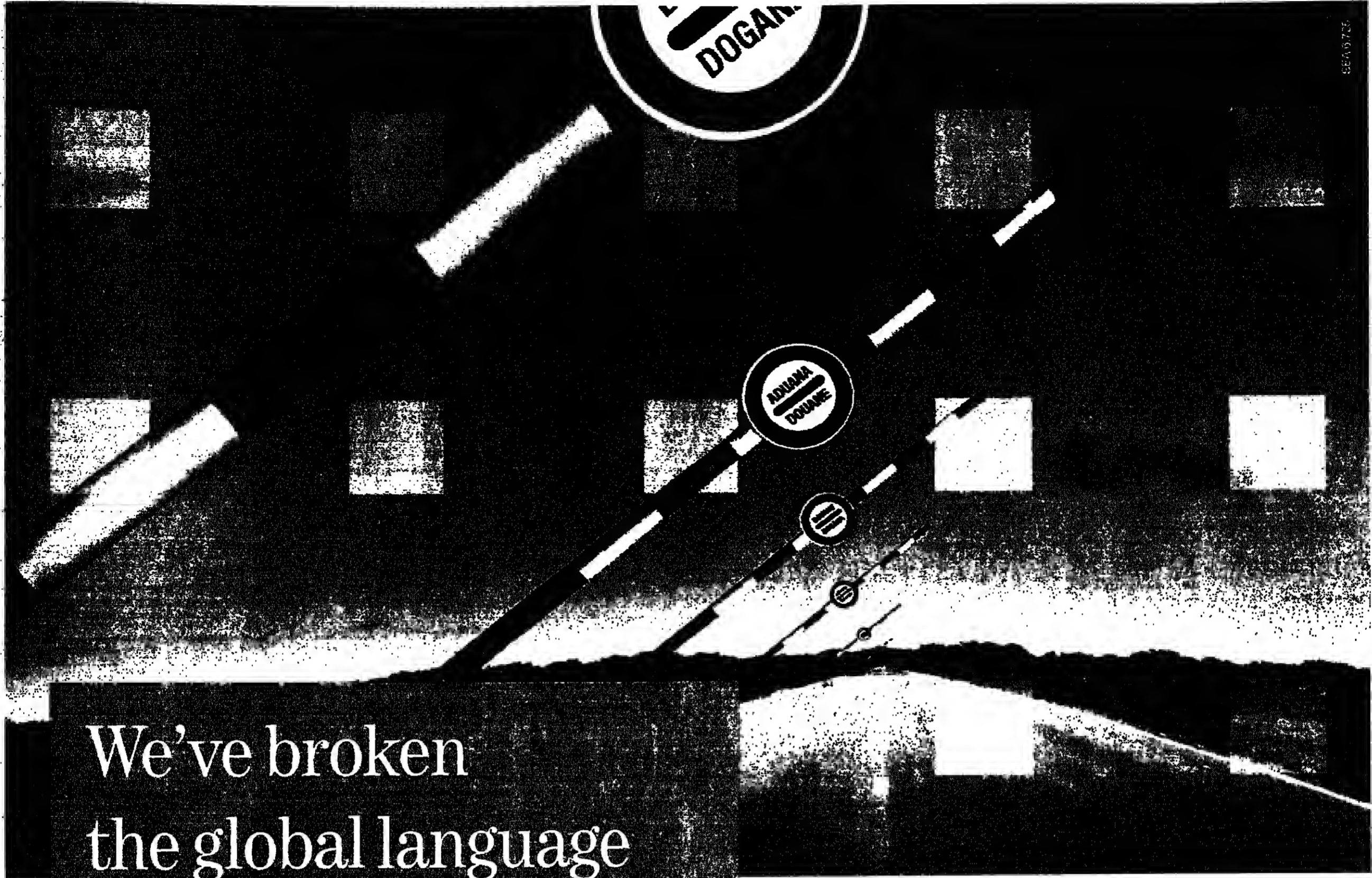
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UK NEWS: NORTHERN IRELAND PEACE CRISIS

Sinn Féin leader no longer has any real clout with republican hard men, says John Murray Brown

# Blast shatters Adams' credibility

If there was anyone yesterday who looked more shattered than Mr John Bruton, the Irish prime minister, it was Mr Gerry Adams, who for the past 18 months has been attempting to give militant republicanism an acceptable public face.

In a gruelling schedule of media interviews, the Sinn Féin president seemed shell-shocked and irascible, his eyes bloodshot from the strain of the last couple of days.

Mr Adams' assertion that he knew nothing of the timing of the IRA's announcement to end their ceasefire appears to have been accepted by politicians in Dublin. It is nonetheless hard to accept that he was unaware that an end to the ceasefire was in the wings.

By the same token, it is clear that Mr Adams no longer has any real clout with the hard men, who seem intent on their return to the long war. Mr Adams' role in the peace process was largely based on the assumption that he did speak authoritatively for the IRA.

The Irish government's decision to sever formal ties with Sinn Féin was described by Mr Adams as "disappointing. But Dublin's position has an inescapable logic as it was Sinn Féin's assurances of the IRA's good faith that was taken as the passport to bring Sinn Féin in from the political wilderness."

Irish republicanism has an unhappy history of factionalism and bloody feuding, from the shooting of Michael Collins, the guerrilla leader who negotiated partition, to schisms in the 1970s over whether to contest elections to the Irish parliament.

The prospect of another split may go some way towards explaining the IRA's decision to abandon the peace process. If one thing is for sure, the decision to return to violence

was not taken lightly, and certainly not for short-term advantage.

For Mr Adams personally, there must be a real question about his safety. He has a bodyguard and even during the ceasefire was said never to sleep in the same house for two consecutive nights. His precautions may now have to extend to cope with vengeful elements within the IRA.

The IRA had never given more than a conditional endorsement to Mr Adams' endeavours. For all Mr Adams' fine words about the peace strategy being his priority, Friday's bomb would appear to have ended the co-operation between Mr Adams and Mr John Hume, leader of the constitutional nationalist Social Democratic and Labour party.

Mr Adams and Mr Hume coaxed the IRA to go along, but their continued support was always contingent on tangible

results. Although Irish politicians are anxious not to blame the British publicly, there is a widely held view that a more flexible attitude from the British in areas such as prisoners could have given Mr Adams more room for manoeuvre.

Instead, there has been a mounting frustration with the lack of progress towards all-party talks. Even Dublin's Forum for Peace and Reconciliation, set up to provide Sinn Féin with a way in from the political cold, has ended as an exercise in isolating the republicans, who refused to endorse its concluding report on the peace process.

Ultimately, it was the republicans' perception that Mr Major's electoral vulnerability at Westminster had put the unionists in the driving seat.

London can have little real expectation that Mr Adams will condemn the IRA as Sir Patrick Mayhew, the Northern

Ireland secretary, has demanded. Equally, Mr Bruton can hardly expect the IRA to announce another ceasefire - this time with verification - as was demanded on Saturday.

Republicans will instinctively blame the British for foot dragging, and playing to a unionist agenda, but Mr Adams is also seen to have misread British intentions.

"The IRA reassessed its position and decided that the British response to the ceasefire was a military, one not a political one," says a nationalist councillor in Belfast.

Mr Adams took his cue from Mr Hume, believing that British policy had changed, that with the support of constitutional nationalists and the Irish American lobby, they could bring the unionists to the negotiating table. After 18 months, that had not happened.

Shell-shocked: Gerry Adams seemed irascible from the strain



LOYALISTS

## Verdict reserved on violent response

The loyalist paramilitary groups in Northern Ireland are adopting a wait-and-see attitude to the end of the IRA ceasefire but do not discount a resumption of violence.

They want to see if the London Docklands bomb was a single shot across the bows of the British government, provoked by its stand on arms decommissioning and elections to a local assembly, or the start of a protracted campaign.

Mr David Ervine, of the Progressive Unionist party, which speaks for the Ulster Freedom Fighters, one of the two main loyalist paramilitary groups, said yesterday that he was stunned by the resumption of violence and very angry.

"If this is the start of a new campaign then it could be well as the loyalist groups would be forced to retaliate," he said. "We do not know for the moment."

Mr Ervine dismissed the idea that the loyalists would only act if the IRA resumed violent activity in Northern Ireland. "I've heard it said that the IRA is going to concentrate on the mainland," he said. "As far as loyalists are concerned we are citizens of the United Kingdom. If there is a strike anywhere in the United Kingdom it is a strike against us."

Mr Ervine added: "I think you can say that the universality of loyalist commitment to the ceasefire is about to be reviewed. The Combined Loyalist Military Command is not due to meet until next Thursday. I would say that is a good sign. What it means is the loyalist groups are going to consider their position in a calm and orderly way."

Mr Gary McMichael, of the Ulster Democratic party, which has links with the Ulster Defence Association (UDA), the other main loyalist paramilitary group, was unavailable for comment yesterday. His party said nothing had been decided yet "and probably won't be until later in the week".

If the loyalists were to resume violence the most likely targets could be in Dublin. When tensions were running high in the province there was a series of bomb attacks in the Irish capital. In 1994 the loyalists claimed responsibility for both attacks in Dublin's Connolly station and in the city centre.

Both the DUP and the UDF have very weak electoral support. Mr Michael Ancrum, the minister for political affairs in Northern Ireland, said late in 1994, after the loyalists had declared their own ceasefire in October, that the political parties speaking for the paramilitaries had only 1.3 per cent of the vote in council elections. This compared with 10 per cent for Sinn Féin, the political wing of the IRA. They have one councillor each on two of Northern Ireland's 26 district councils, which have few powers.

In addition, Mr Gerry Adams, president of Sinn Féin, was elected to Westminster as an MP, before losing his seat in West Belfast to Mr Joe Hendron of the Social and Democratic Labour party, the moderate nationalist group. Because of their strong links with the paramilitaries however, the DUP and UDF would be admitted to bilateral talks. Their weak electoral standing meant, however, that they would not have an automatic right to participate in all-party talks.

Mr Ervine has served a jail sentence for the handling of explosives.

The Ulster Freedom Fighters has roots going back to the Ulster Volunteer Force, set up in the early part of the century to fight against home rule for all of Ireland. It is thought to have between 1,000 and 2,000 active members. The UDA is the larger of the paramilitary groups. Its membership is thought to be about 6,000.

ECONOMY

## Financial centre remains optimistic

London officials were attempting yesterday to play down the impact on the capital as a financial centre following the IRA bombing in Docklands.

Mr Michael Pickard, the chairman of the London Docklands Development Corporation, said he was hopeful that the bombing would not have a long-lasting impact. "The history of these occasions is that the publicity causes a pause [in lettings] and no more than that," he said.

Mr Bernard Harty, the chief executive of the Corporation of London, said the City had demonstrated "a tremendous ability to recover" after the Bishopsgate bombing in 1992.

"This kind of terrorist activity is not unique to the UK. It has happened in America, in Japan, in Frankfurt and in Paris," he said. "Businesses know that major centres will be a risk and that if they move to other places, that risk will transfer to other places."

Mr Harty said that since the Bishopsgate attack the City and its neighbouring areas had attracted some significant international banks.

Yet all these banks announced their plans after the IRA declared its ceasefire in August 1994. Westdeutsche Landesbank and Deutsche Morgan Grenfell announced intentions to move to the City soon after the ceasefire, and ABN Amro Hoare Govett said only this month that it would bring together all its UK operations in a new London headquarters in Spitalfields.

There is an acceptance that further bombings in London could still alter foreign perceptions of the capital as a financial centre. "What happens in the totality of London is important," said Mr Pickard. "We cannot back a trend."

Close attention will now be paid to those companies contemplating moving to Docklands. Harty's Digest is one of the largest companies to have declared an intention to move but which have not yet signed contracts.

The US company, which is negotiating to buy a 140,000 sq ft building for its new headquarters, could not be contacted yesterday.

Over the past four years Docklands has won some significant new clients, including Barclays de Zoete Wedd, the investment banking arm of Barclays Bank.

Mr Pickard said 70 per cent of the 13m sq ft of space in Docklands had been let, up from 30 per cent in 1992. The 1m sq ft Canary Wharf complex has received commitments for 80 per cent of the space, even if not actually let. He said the current rate of letting - about 1m sq ft a year - would see Docklands fully let by March 1998 when the Jubilee Line extension is due to open.

The LDDC hopes the arrival of the Jubilee Line will trigger the next phase of development. In addition to the 13m sq ft already developed, there is 1m sq ft with planning permission.

How quickly this is developed depends now on the progress of peace talks.

"The bombers have moved up and down London," said Mr Pickard. "They have made two efforts - one successful and one unsuccessful - in Docklands. Our confidence depends on London not being seen as a particularly difficult town."

Richard Gourlay

INSURANCE - By Ralph Atkins

## Premiums threat as cost estimate tops £150m

Many businesses could see terrorism insurance costs increased by as much as two-thirds following the South Quay bombing, threatening fresh disquiet over the government-backed insurance scheme introduced after earlier IRA attacks in London.

The Association of British Insurers last night estimated that insurance claims could total between £75m and £150m. Assessments by Thomas Hinwell, the loss adjuster, suggested that damage caused by Friday night's explosion would cost at least "tens of millions of pounds" - although much would depend on the reports from structural engineers this week.

The fears of many companies will be that insurance claims falling on Pool Re - the state-backed terrorism "reinsurer" which underwrites policies sold by conventional insurers - will exceed £75m. Above that level, Pool Re would be able to claw back substantial extra sums from those who have bought its policies since January 1.

Mr Andrew Neale, the disaster manager at Thomas Howell, said the damage at South Quay was likely to be less expensive than that caused by the IRA's bomb attack at Bishopsgate in April 1993 which cost Pool Re £325m. "There is evidently a large area affected and the

buildings are less sizeable," he said. However, insurance claims were likely from damage to buildings, contents (including expensive computer equipment), business interruption and loss of profits and rent. Moreover, previous terrorism threats to London Docklands mean most businesses based there are likely to have bought terrorism cover.

Some insurance costs, particularly from houses and smaller businesses, will be absorbed by conventional insurers rather than Pool Re. Some may also have been borne by insurers outside the government-backed scheme, including Lloyd's of London syndicates.

But insurance executives

said there was a fair chance of the total falling on Pool Re exceeding £75m. The threshold is important because of Pool Re's discount system. Under terms announced for 1996 last November, the reinsurer said it would collect only 60 per cent of the policy premium at the start of the period covered. The remaining 40 per cent would be waived if claims occurring to Pool Re do not exceed £75m during 1996.

In addition, if claims rise above £75m, a 20 per cent premium rate discount on premium rates introduced for 1995 in the light of the IRA ceasefire would also be withdrawn when existing policies are renewed.

Mr Leslie Lucas, Pool Re's

chief executive, said yesterday that it would not be clear whether the threshold had been reached until information is sent from insurance companies - possibly within a few weeks.

The threat of extra costs to business across Britain is likely to renew debate about Pool Re which has been criticised as expensive and inflexible. Earlier this year, the Association of Insurance and Risk Managers (AIRMIC), which represents commercial insurance buyers, warned that many businesses are having to choose between paying high premiums - or risk going without cover.

Pool Re was set up after the

1992 bomb attack on the City after insurers said unlimited terrorism cover would be excluded from commercial policies. The reinsurer operates as a mutual, insisting that member companies - most of the big insurance companies - sell insurance only on its terms and conditions. Only a limited market for terrorism cover has developed beyond Pool Re.

AIRMIC has suggested that Pool Re should be funded by flat contribution or levy on all commercial property insurance, allowing a return to the automatic provision of terrorism cover. This would make it more akin to funds set up in other countries to protect against natural catastrophes.

SECURITY - By Jimmy Burns

## Ring of steel closes on City amid new alerts

For the security forces, it is a question of once bitten, twice shy.

Yesterday police chiefs on the British mainland and in Northern Ireland reissued appeals for public vigilance while stepping up overt security measures against terrorist attack.

The measures include the reactivation of manned checkpoints on key access roads to the City of London - the so-called ring of steel introduced following the Bishopsgate attack by the IRA in 1993.

One senior City of London police officer said last night: "We obviously realise that as one of the world's major financial centres, the City could be the target for another bomb. We can't be sure it will be attacked, but we can't afford to take chances."

In addition to restricted parking and traffic circulation, there will be roving teams of armed police units, and protection of government buildings and senior public figures will be stepped up.

On the streets of Belfast, the Royal Ulster Constabulary has increased its street patrols, while considering calling in the army as heckup if and when necessary.

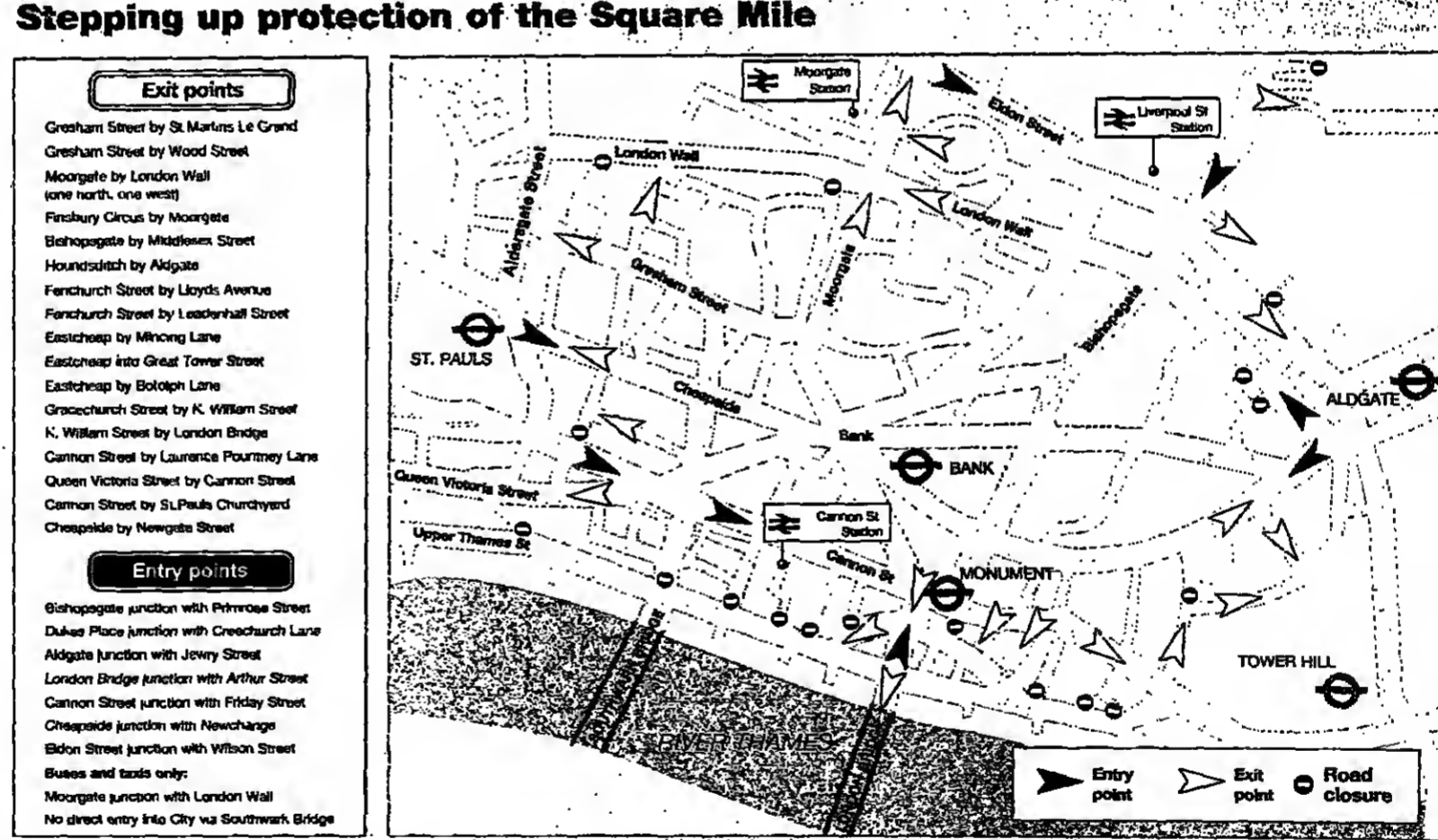
Having erred on the side of optimism, believing that the IRA ceasefire would hold, police and the security service M15 found themselves wrong-footed by last Friday's bomb. In its aftermath, police and security chiefs feel they have no option but to brace themselves for a renewed IRA military campaign.

"The IRA could wait a few days to see how politicians and the public react, but we can't rule out that the bombing will start again after that," one security source said yesterday.

The reluctance to make a firm prediction reflects on the confused political situation which has developed in Northern Ireland.

Previous optimism was

### Stepping up protection of the Square Mile



based on the belief - shared by the British government and its security advisers - that rank-and-file rumblings of discontent within the republican movement were insufficient to do damage to the willingness and ability of Mr Gerry Adams and other Sinn Féin leaders to carry the IRA behind the peace process.

Yet it now emerges that while Sinn Féin officials continued their contacts with the Irish and British government, the IRA was carefully preparing its bomb attack.

According to an initial assessment made by a senior

anti-terrorist expert, Friday's bomb attack was almost certainly the visible result of a covert IRA intelligence and logistics operation which had been running almost from the moment the ceasefire was declared.

It is now believed that the IRA, far from winding down its operations, had refocused small teams on the mainland on intelligence missions with the aim of identifying potential targets. IRA hardliners have never renounced breaking the ceasefire if they considered that the peace process was leading them to deadlock.

The nature, size, and location of Friday's bomb suggests that this specific terrorist attack would have involved more specific planning over a period of at least three weeks, with the final decision on the day and time taken around Wednesday of last week, when British and Irish ministers failed to agree on a Dublin proposal for a Bosnia-style round table involving all political parties.

It is thought that the operation was known only to a very restricted group of people within the organisation, and may have involved the bomb-

ers answering directly to a representative of the IRA's ruling army council.

The estimated 500lbs of home-made explosive would have involved at least one IRA unit - two to three people - on a final surveillance of the area as well as on the assembly and transport of the device in a van. Other vehicles as potential decoys may have also been used.

The bomb is of a kind which has been often used by the IRA in Northern Ireland for propaganda purposes. It is less powerful and potentially causes fewer fatalities than Semtex,

but its "wave" effect shatters glass over a wide area, producing dramatic photographic and film material.

The IRA picked on a target which, in common with many other parts of mainland cities, had relaxed its security presence in recent months.

Over the weekend Sir Paul Condon, the Metropolitan police commissioner, admitted that the blast at South Quay was "completely unexpected".

Previous IRA operations in the area had been focused on the nearby complex of Canary Wharf, which includes the tallest building in Britain.

TOURISM - By Sheila Jones

## Overseas visitors shrug off fear and carry on shopping

Tourists in London's busiest shopping districts appeared undeterred at the weekend by the bomb attack.

On Saturday, shoppers thronged as usual outside Harrods in Knightsbridge, a popular spot for overseas visitors.

More than 22m tourists came to the UK last year. About half headed for the capital, where spending by tourists was about £7bn.

"We live in Paris and there are a lot of bombings there so we're used to it," said Chris Clement, who arrived in London on the Eurostar train on Friday for a weekend trip. "We like London and the bomb hasn't put us off. I'm surprised, though, that our bags haven't been checked in the big stores today. In Paris, bags are checked everywhere if there is a bomb."

Four weekend visitors from North-

ern Ireland said they were "sorry we happen to have chosen this weekend to come". One added: "We're accustomed to this sort of thing. I couldn't help wondering how long it would be before this would happen. If there's to be a permanent peace, it will take at least a generation to build trust between the communities."

Canadian couple Giovanni and Ivana Vernich shrugged off the prospect of bombings in the capital. "If it

happens, it happens, we feel perfectly safe here," said Mr Vernich.

Graham and Jean Price, on business from Liverpool for the weekend, had to cancel a meeting in Canary Wharf on Saturday because of the attack. "But we're going to enjoy ourselves in London instead. We try not to think about it because really there is nowhere that is totally secure. You can't stop living."

Helga Wollerich, in London for a

one-week trip from Frankfurt, said she was "very sad" that the bombing had happened. "But I don't feel scared shopping here in London."

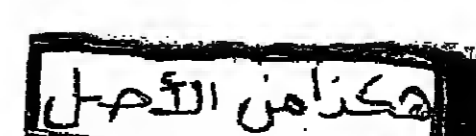
Frank and Jette Zackrisson, from Aarhus in Denmark, arrived in London with their two daughters two hours before the bomb went off on Friday. "I saw it on the television this morning, and of course I was worried," said Mrs Zackrisson. "Maybe if there are more, I would

think about going somewhere else."

That student Anpurn Buranbud-sakorn said she felt "indifferent" as far as her own safety was concerned. "Anything can happen. Anyway, I have to stay here for another nine months to finish my course in business studies."

Ellen Verlius, who moved to London from France two years ago, said: "If there were further attacks she might consider returning to France."

Stewart Dalby



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UK NEWS: NORTHERN IRELAND PEACE CRISIS

Downing St insists that peace talks can continue

By Robert Peston, Robert Swinley and John Kampfrer

Downing Street was last night insisting that the Northern Ireland peace process could be salvaged from the wreckage of the IRA's bombing of South Quay in London's Docklands.

Following a weekend of telephone diplomacy with Mr John Bruton, the Irish premier, and Mr Bill Clinton, the US president, Mr Major will today say that there will be no further ministerial contact with Sinn Féin, unless the IRA announces a further ceasefire.

He will also reiterate his belief that elections in Northern Ireland represent the government's preferred route towards all-party talks on a Northern Ireland settlement, in the absence of the decommissioning of arms by paramilitary groups.

However, Mr Major's "place in history", as the British politician who ended 25 years of strife in Northern Ireland, appears to be in jeopardy.

Mr Major is angered by Irish nationalist allegations that he is responsible for the breakdown in the peace process by raising "hurdles" to all-party talks. He will reiterate today that it was the British government which initiated the peace process.

"It could not have happened at all, unless we had started it," said one of his close colleagues. He has been hampered every step of the way, however, by the threat that if he were seen to be conceding too much to the nationalists, he would have faced civil war in the parliamentary party and ministerial resignations.

"I do not expect him to give any ground [to Sinn Féin] in his statement today," said a senior member of the government. If that was the case, he said, the parliamentary party would be "wholly supportive", but not necessarily otherwise.

Mr Bruton, who in recent months has expressed frustration at British tactics, suggested that Mr Major's support for elections to a constitutional convention had exacerbated tensions.

"This open and shut presentation in the House of Commons of the matter was a mistake," Mr Bruton said. He urged Mr Major to drop the plan. "I believe the idea of having an election of the kind suggested immediately after the resumption of violence would pour petrol on the flames. I think it would be

a serious mistake," he said. Mr Bruton said he would press ahead with his government's proposals last week for a Bosnia-style conference, in which all parties would be urged to be in the same building but not necessarily in the same room.

But Mr Bruton's credibility, which had always been low among republicans, has been dented by the resumption of violence, like Mr Major's. From the outset Mr Major's room for manoeuvre in the peace process has been limited by Tory Jeremiah, who resented the way the IRA had stopped short of a full renunciation of violence.

With most of the party at least a pale shade of orange there were many who doubted that true progress could be achieved between two so thoroughly entrenched camps.

Even in the cabinet Mr Major found senior ministers voicing doubts about offering too many concessions to Sinn Féin. Prominent among them were Lord Cranborne, leader of the Lords, and Mr Michael Howard, the home secretary.

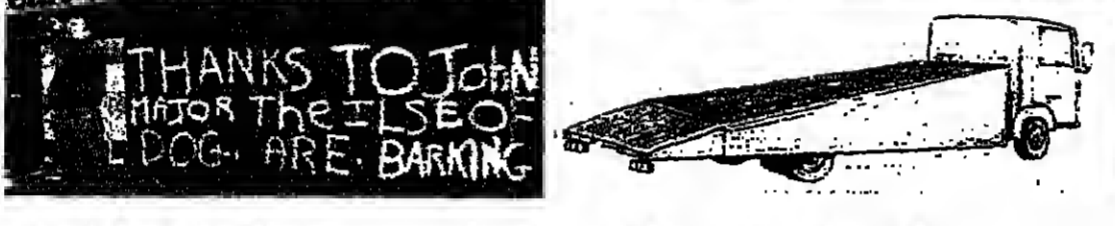
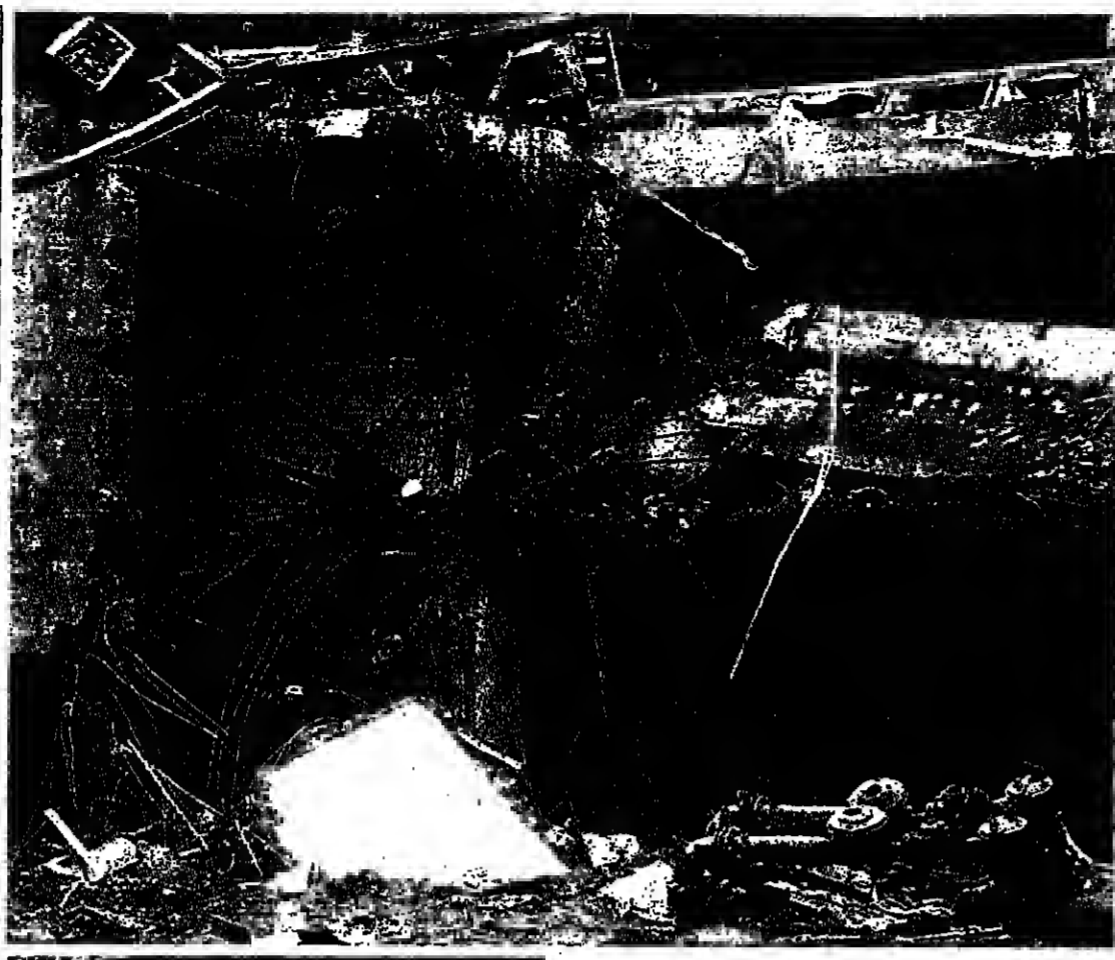
There have been persistent rumours that Lord Cranborne, who organised Mr Major's campaign to be re-elected party leader last summer, was contemplating resignation if he perceived that the government was giving too much away to Sinn Féin in the peace process.

Senior Tory backbenchers said yesterday that the bomb would bring an effective end to the peace process in its current form.

One of the few Tories who has consistently advocated involving Sinn Féin in all-party peace talks described the prime minister as "a prisoner of the 20 or so hardline unionists within the party who won't move unless David Trimble [the Ulster Unionist leader] says it is okay to do so," said the backbencher.

A number of the most committed unionists were also yesterday making clear that they believed the bomb had ended the current peace process. A large measure these MPs are among the rightwing sceptic fringe which has caused the prime minister so much difficulty over Europe.

Mr Nicholas Budgen, a leading Tory unionist, said yesterday that he "didn't see how" the government could continue to deal with Sinn Féin. Mr Neil Hamilton, another leading unionist, said that he doubted Mr Major would want to show flexibility even if he could.



Impact: severe damage was caused to the Docklands building targeted by the terrorists (top left) and extended to surrounding streets (top right). Police investigating the bomb attack have issued a sketch of a suspect vehicle in an appeal to the public for information, while in Belfast new graffiti made a pointed contribution



Police investigating the bomb attack have issued a sketch of a suspect vehicle in an appeal to the public for information, while in Belfast new graffiti made a pointed contribution

Newspapers redraw the battle lines

Northern Ireland newspapers, like so many aspects of life in the province, are divided into unionist and nationalist camps.

PRESS REVIEW

"IRA Kills The Peace" said the banner headline in the News Letter, the newspaper of the majority Unionist community. Most people were caught off guard by the IRA's devastating London bomb. Not the News Letter.

"It is a development which will hardly surprise those who had enough wit to realise that the IRA ceasefire of August 31 1994 was nothing more than a ploy by the Provo High Command to wring major political concessions from the government for the narrow republican agenda."

The News Letter says the government cannot allow itself to be intimidated by what it describes as IRA blackmail. It says those who carried out the bombing are totally unrepresentative not only of people in Northern Ireland but of those on the whole island.

"They have absolutely no mandate to commit murder and mayhem and those who would try to make excuses for their actions by attacking the government for refusing to bow to naked aggression are

clearly aligning themselves with these forces of evil." The Sunday Life, which also reflects unionist opinion, says that in the split second it took to detonate the London bomb, Northern Ireland was once again put on a war footing.

"The police are back in flak jackets, with rifles at the ready, double patrolling has been reintroduced and vehicle checkpoints are springing up everywhere."

"The Sunday Life warns that if the British government continues talking to Mr Gerry Adams, the leader of Sinn Féin, Unionists might retaliate. "Northern Ireland does not want a return to war. But its citizens will not bend the knee to those who would wage war or their politicians who cannot bring themselves to issue a simple condemnation of such naked aggression."

The Irish News, which is aligned to the nationalist community, takes a very different stance. While the newspaper condemns the bombing, it goes on to talk of the growing sense of resentment among nationalists

about what was seen as the unwillingness of the British government to grasp the opportunity for progress offered by the IRA ceasefire.

It says that talking to Mr Adams still offers the best chance of peace and warns of the dangers of any British attempt to drive a wedge between him and the IRA. "Mr Adams remains the man most likely to bring the IRA away from violence and into the democratic process" says the Irish News. It says Mr Major's call for Mr Adams to condemn events in London was understandable, but naive.

The Irish News also contemplates the dire consequences the London bomb could have on the fragile economic revival in Northern Ireland. It points out that only a week ago Mr Adams was in the US, banging the drum for American investment in the province.

"Even with peace, Northern Ireland was never at the top of the investors' agenda. However, it was at least part of the equation. The return to the bomb could signal a depressing downturn from which the



Marty Turner's view in Saturday's Irish Times

north's economy may never fully recover." The Irish Times says taken up south of the border by the Irish Independent. It says that early expressions of interest from foreign investors had tailed off in recent weeks as a return to violence loomed. The paper gives a bleak assessment of the mood in the aftermath of Friday's bomb. "We have violence back again in our midst. It will affect all of us. It removes, in a permanent and distressing way, all initiatives leading to a peace in the future."

Mr Adams is the most talk-

ed-about person in the Irish papers. The Irish Times says Sinn Féin and Mr Adams were bewildered by the IRA action. The paper quotes an IRA contact who said that Mr Major's proposal for elections in the north was the final straw for the group's rank and file. The Sunday Tribune, another Dublin paper, says that if the Sinn Féin leader fails to find a way out of the political mess the IRA has created for him, he is "a candidate for history's scrapheap".

Kieran Cooke

CLINTON

US puts focus on restoring ceasefire

The US was embarking on intensive transatlantic negotiations yesterday to try to rescue the Northern Ireland peace process, focusing principally on a restoration of the ceasefire broken by the IRA on Friday.

A White House official said that President Bill Clinton might take part in today's planned White House session with Mr David Trimble, the leader of the Ulster Unionist party. UK diplomats were convinced that he would take part, after a similar courtesy had been shown to Mr Gerry Adams, the President of Sinn Féin, 10 days ago.

But the official said that he was unaware of any immediate plans to send either Mr Anthony Lake, the national security adviser, or Ms Nancy Soderberg, his deputy, to London or Dublin. Mr George Mitchell, the former US senator who headed the international panel on arms decommissioning in Northern Ireland, is due to return to London next week, but both US and UK officials noted that this was a previously scheduled trip.

Mr Clinton underlined his personal concern in two public statements on Saturday, first on the White House lawn and later in the course of a campaign speech in Iowa.

Recognising the threat to what has been portrayed here as one of his most successful foreign policy initiatives, the president said: "I am determined to do all that I can to ensure that the enemies of peace do not succeed."

White House officials conceded that Friday's events left them in a state of shock. One, intimately involved with the negotiations, said she felt "shock, it was terrible". There is also considerable concern about the apparent deterioration of relations between the British and Irish governments at the weekend, particularly after the president spoke to both prime ministers on Friday night.

Mr Lake and Ms Soderberg spent much of Saturday on the telephone, including calls to Mr Adams, who had first told the White House on Friday that the IRA ceasefire was at an end. But there was no hard evidence that the US had lost confidence in Mr Adams as a negotiator, nor that any sanctions were being contemplated against Sinn Féin.

UK diplomats said that even if Mr Adams were now viewed by the US administration as "damaged goods", he may yet have a role in getting the ceasefire back in place. If he could not help in this respect, they said, he would be reduced to a marginal role.

Nor would officials voice any public criticism of British policies over the past month. Supporters of the Irish nationalist cause in the US Congress, including Mr Ben Gilman, chairman of the house international relations committee, have urged Mr Major to drop his proposal for elections prior to all-party talks and to proceed instead directly to the negotiating table.

That theme was taken up last week by Mr Dick Spring, the Irish foreign minister, who said in Washington that "elections in Northern Ireland have, by their nature, been divisive, leading to polarisation, winners and losers."

Jurek Martin

Blasted building frames a view of West India Dock waters

It used to be a nondescript London junction, like thousands of others. Now it is a 14-foot-wide crater, filled with twisted metal and broken masonry. It was, said Mr John Crivey, the commander of the anti-terrorist branch of the Metropolitan Police, amazing that more people were not killed by Friday's bomb. Looking at the damage, it was difficult not to agree.

Every single window of the tall buildings surrounding South Quay Plaza, where the IRA's bomb exploded on Friday, appeared to have been blown out. The explosion, powerful enough to expose the frame of the building, left hundreds of shards of broken blue glass hanging from the shattered window frames. Gazing through, it was possible to see the grey waters of West India Dock.

A concrete structure a few feet away from the crater was unrecognisable. It used to be a shopping mall and newsagents. Offices belonging to Midland Bank, opposite South Quay Plaza, were similarly devastated. Metal and rubble littered the area and the frosted glass of South Quay Station lay thick on the ground like fresh snow. Over the devastation hung a blanket of silence. In sharp contrast to the frantic activity after the explosion on Friday night, there were no sirens, no paramedics, no helicopters.

The bomb exploded in a blue flat-back lorry parked on Marsh Wall next to a slip road into South Quay Plaza. It was impossible to identify the slip road, which was covered with debris. Mr Crivey said the crater was so deep that no one had yet fathomed the bottom and there was a lot of water in it. The bomb, thought to have been between 500lbs and 1,000 lbs, ruptured the gas mains and kept police out of the area for six hours until repairs were made. Both ends of Marsh Wall were cordoned off by police, their luminous lime-green jackets signalling a barrier to entry. A few people working in offices further away from the full force of the blast were allowed through. Most offices, however, bore some scars of damage.

Amazingly the Docklands Light Railway viaduct was still standing even though the bomb exploded almost directly underneath it. Wiring and construction materials hung from the structure. Docklands Light Railway said a preliminary inspection showed that the station and structure were fundamentally sound although some repairs would have to be made to the viaduct. The station itself lost most of its glazing, and decoration and required "considerable refurbishment". There were no trains running south of Canary Wharf yesterday, but trains were operating on the northern leg. Docklands Light Railway said there would be no services until the weekend at the earliest. The police appealed for information about the lorry, probably based on a Ford cargo chassis and was manufactured in 1985. Its number plates - C292 GWG - were false.

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Richard Needham: all contact with Adams must be cut off

in their own time the people of the North, living free from fear, will forgive and find ways of accommodating the South and live in harmony.

I believe - and the people of Ireland will come to see - that Adams and McGuinness have done more to destroy the opportunity of a united Ireland than any two men in history. By endorsing and organising violence against the loyalist people - and indeed their own folk - they have obliterated any chance of bringing the two sides of Ireland together, and the longer violence continues the longer any chance of unity will disappear into the future.

My family came from the Anglo-Irish tradition and I spent six and a half years as a minister responsible with others for rebuilding the Northern Ireland economy and the bombed towns and cities. Even before the ceasefire the conditions in Belfast, Londonderry, Newry, Armagh and Enniskillen, to name but some, have changed unalterably for the better. That progress will continue. That is the economic path to peace. It is the only path which makes any sense. One day even the men of violence will be forced to see that too.

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# Managers buy anti-virus software company

By Richard Gourlay in London

The husband and wife who developed the Dr Solomon's Anti-Virus Toolkit software package have sold their company to a management buy-out. S&S International has annual sales of £30m (\$30.8m) and sells the Toolkit in more than 60 countries.

Mr Alan Solomon and his wife, Susan would not say how much they received for the company. The buy-out, funded by a syndicate of venture capitalists led by Apax Partners, places the Solomons among

## Philips wins five-year systems contract from ICI

Philips, the Dutch electronics group, has been awarded a £75m (\$115.5m) five-year outsourcing contract by ICI to run the chemical group's computer systems, Michael Dempsey writes. The contract, which involves taking on 399 staff, will be managed by Origin, an organisation formed by Philips to handle its outsourcing operations. Origin beat EDS and CSC, the

Britain's most successful software entrepreneurs.

Similar companies in the US, such as McAfee Associates which makes one of the lead-

ing north American anti-virus packages, are highly rated technology stocks.

S&S International hopes to expand further in the US under

chief executive Mr Geoff Geary. "The growth potential is worldwide, but clearly the US market is the largest software market in the world,

and we have had some very encouraging initial success," he said. Mr Jim Pullen, director of Regent Associates, an IT mergers and acquisitions consultancy, said Apax was likely to have paid between £20m and £30m for S&S International.

S&S International's first sales in 1994 were software packages which Mr Solomon wrote in the evenings while working as an oil sector analyst at stockbrokers Laing & Cruickshank.

He said that his wife marketed the products

part-time during the day while looking after a baby.

Mr Solomon gave away the early versions of the anti-virus software developed in the late 1980s having decided that viruses were not a threat.

"Viruses were like an urban legend in those days - no one had seen one but everyone had heard of them," Mr Solomon said. Now there are 8,000 known viruses, and hundreds of new strains are discovered each month, he added. About 300 were "a real threat".

Media Futures, Page 15

## Vehicle industries Impact of EU pollution rules and of moves into contract hire makes forecasting difficult

# Uncertainty clouds truck market

By Haig Simonian, Motor Industry Correspondent

Manufacturers and importers of trucks are unsure about the likely progress of their businesses this year amid conflicting signals from customers.

They agree that 1995 was a good year in which demand picked up strongly, raising sales of commercial vehicles of all types by 9.6 per cent to 249,928 units. Sales of vehicles weighing more than 3.5 tonnes rose by almost 17 per cent to 52,261 units - comfortably above the annual level of 50,000 vehicles which some manufacturers think is a long-run equilibrium.

The picture for 1996 is more confusing. Iveco-Ford, the UK's second biggest truckmaker, expects sales to remain buoyant with an increase of up to 7 per cent to 56,000 units. "There has been a downturn in the rate of growth, but no decline," says Mr Roger Phillips, its commercial director. "While there's no euphoria, there's no doom and gloom either. There's no sign we're about to slip back into recession".

By contrast, Mr David Gill, the chief executive of Leyland Daf, the UK market leader, says prospects are uncertain because hauliers fear that the economy will soften. He believes that the rate of growth in demand for new trucks slipped in the second half of 1995, and fears that orders may now start to fall.

Mr Jürgen Knorrp, the UK

managing director of MAN Truck and Bus, is also cautious. "We expect the market to be at best stable, and possibly to fall by as much as 5 per cent this year," he says. Most executives admit that forecasting has become more difficult. Mr Gill says sales might still exceed last year's if customers breach forward orders before the introduction of less polluting but more expensive trucks in October.

The impact of European Union emission legislation is one of two imponderables facing the market. The new rules will oblige manufacturers to fit cleaner but more expensive engines. The 5 per cent rise in prices which is expected to result seems modest. But hauliers believe it will be enough to

described as "very disappointing" by the Retail Motor Industry Federation, which represents most of the country's franchised dealers. "The analysis warns that car-makers, driven by the short-term need to keep production lines busy, are prejudicing their own well-being through what it says is the virtually "programmed" manufacture of nearly-new cars. These are vehicles which are pre-registered by dealers in the absence of buyers and declared to be "demonstrators", or used for a token period before being returned to the marketplace as "used" cars.

affected demand in the cut-throat road transport business, in which about 60 per cent of companies are highly price-sensitive medium-to-large operators.

Some manufacturers think the new EU rules could simply boost demand. The EU standard introduced in 1993 triggered higher sales as hauliers bought more modern vehicles which offered lower emissions and better fuel economy.

The second imponderable concerns the growing number of truckmakers establishing contract hire outfits. Contract hire has gained popularity as hauliers have sought to offset the cost of a new vehicle by spreading their expenditure over time. Most deals include an agreed trade-in price for the

truck and even all-inclusive maintenance arrangements, giving operators almost complete control over their operating expenses. "Contract hire means an operator is buying kilometres, not trucks," say one executive.

Mercedes-Benz and Volvo already have contract hire divisions. Iveco-Ford is about to take the plunge, while Scania has started marketing its established operation more aggressively of late.

It is unclear how internal contract hire divisions will affect relationships between truckmakers and importers on one side and big contract hire customers such as Ryder and British Road Services on the other. Such specialists account for up to half of demand for some truck companies, one executive believes.

Mr Gill says Leyland Daf has no plans to enter the business, mainly because contract hire companies are its biggest customers.

"We're not looking to compete with the contract hire specialists," says an Iveco-Ford official. "But as they focus more on fleet management and logistics, such as running the entire distribution fleet for a leading retailer, we can pick up contract hire business for smaller operators." Whether diversification into contract hire will boost truck demand remains uncertain. But it should lead to some reallocation of business between customers.

## Truck registrations in January 1996

	Volume (Units)	Volume Change (%)	Share (%) Jan 95	Share (%) Jan 94
<b>Trucks (over 3.5 tonnes)</b>				
Total	4,298	+1.1	100.0	100.0
Imports	2,545	+4.3	62.3	62.4
Iveco group (Fiat)	610	+3.5	15.1	17.8
Mercedes-Benz (Daimler-Benz)	807	+1.5	19.0	18.9
Leyland Daf (Daf Trucks)	700	-19.2	16.5	20.6
Scania (Iveco)	322	-42.7	7.6	10.4
Volvo	557	-12.3	13.1	15.1
EPF	216	+3.3	5.1	5.0
MAN	202	-29.5	4.8	3.7
Renault	142	-15.0	3.3	4.0

## Of which Heavy Trucks (over 15 tonnes)

	Volume	Change (%)	Share (%) Jan 95	Share (%) Jan 94
Total	2,812	-3.42	100.0	100.0
Scania (Iveco)	622	-4.7	22.1	18.0
Volvo	526	-8.1	18.7	21.0
Leyland Daf (Daf Trucks)	386	-16.5	13.7	17.0
Mercedes-Benz (Daimler-Benz)	352	-0.9	12.5	13.1
Iveco group (Fiat)	354	+19.0	12.2	10.6
EPF	216	-2.3	7.8	7.8
MAN	125	+32.2	4.5	3.5
Renault	95	-18.1	3.4	4.3

(names in brackets indicate ownership)

\*Includes Iveco Ford and Scania of America.

Source: Society of Motor Manufacturers and Traders and industry estimates.

## Volkswagen and Fiat gain in car market

	January 1996	Jan '95
REGISTRATIONS OF NEW CARS	Volume	Change% Share%
Total market	191,761	-0.3 100.0
UK produced	75,029	-4.5 39.3
Imports	116,732	-3.7 60.9
Japanese makes	23,205	+7.3 12.1
Ford group	42,903	-3.4 22.4
- Ford	1,837	-0.9 0.9
- Jaguar	1,065	-8.1 0.6
General Motors	29,333	-1.8 15.3
- Opel	27,557	-1.0 14.5
- Saab*	1,376	+23.9 0.7
BMW group	25,794	-3.0 13.5
- BMW	5,018	-19.2 2.6
- Rover**	20,776	-1.9 10.8
Peugeot group	24,516	-3.3 12.8
- Peugeot	14,708	+1.6 7.7
- Citroen	9,808	-5.9 5.1
Volkswagen group	14,902	+36.0 7.8
- Volkswagen	9,249	+27.1 4.8
- Audi	3,449	+64.9 1.8
- SEAT	1,550	+283.9 0.8
- Skoda†	654	-41.5 0.3
Renault	11,699	-2.9 6.1
Nissan	7,477	-4.9 3.9
Fiat group	7,155	+21.7 3.7
- Fiat	6,956	+20.3 3.6
- Alfa Romeo	287	+72.9 0.2
Honda	5,315	+8.0 2.8
Toyota	5,146	+21.8 2.7
Mercedes-Benz	3,716	-1.8 1.9
Volvo	2,906	-28.0 1.5
Korean makes	2,424	+274.0 1.3

\* GM holds 52% of Saab Automobiles with management control. \*\* Includes Range Rover/Discovery. † VW holds 31% of Skoda with management control.

Source: Society of Motor Manufacturers and Traders

## Japanese companies in Britain.

# Profits from \$30bn investments lag behind expectations

By Peter Montagnon, Asia Editor

Japanese companies are generally disappointed with the profitability of their investments in Britain, which now total over \$30bn, says a survey by KPMG, the accountancy firm.

KPMG said a survey of 70 top Japanese industrial companies found that none thought their profits were high, while 40 per cent said they were average and 53 per cent said they faced low profits or losses.

Profits failed to live up to expectations because European economies went into reverse instead of booming as the single market came into force in 1992, the KPMG survey showed.

In addition, the value of the yen soared, putting pressure on the cost of imported components. Heavy competition eroded margins, especially in areas such as consumer electronics in which Japanese companies specialise.

"Japanese companies were under a lot of pressure in the 1980s, given the worries about Fortress Europe in the run-up to the single market," said Mr Crispin O'Brien of KPMG. "There was a lot of me-too investment, but it wasn't really thought out."

There was no question of Japanese companies pulling out of the UK, he added. More investment might flow in as component suppliers established plants. But Japanese companies were having to rethink their approach to management, marketing and service in order to increase their returns.

"Japanese suppliers must learn to go in and negotiate hard-nosed with Sir Stanley Kalms [chairman of the Dixons electrical goods store chain] and come out with a decent margin," said one former Japanese company executive.

Whereas Japanese companies have mastered the art of cheap production, they now realise they cannot compete on price alone, especially since they face competition from more recent investors in Europe such as South Korea.

Nearly 70 per cent of the companies polled said they were looking at ways to improve their overall competitiveness. There was also a need for more streamlined European structures along the lines of Toyota's regional headquarters in Brussels and Honda's centralised treasury operation in London. That would help to avoid duplication of administrative support and would facilitate quick local decision-taking without cumbersome referral to Tokyo.

Some executives say Japanese companies are wrong to expect too quick a return, however. Many are starting from scratch and face large initial depreciation charges on assets such as land and buildings. "In the motor industry we all face a long-term payback," said Mr Ian Gibson, managing director of Nissan's UK operations.

"With today's margins and the need to grow a distribution network, the price of entry to the market is very high."

"Companies which manufacture and distribute an expensive, sophisticated product need 10 years to evolve a European structure," he added.

## UK NEWS DIGEST

# Pensions lawyers switch firms

Sacker & Partners, a specialist pensions law firm, has recruited the entire pensions department of rival firm Nicholson Graham & Jones. The move will make Sacker, which will have 12 partners and 20 lawyers, the biggest specialist pensions practice in Britain.

The four partners and four other lawyers recruited from NG&J accounted for about 8 per cent of the firm's income. The move is indicative of intense competition between law firms and the poaching of teams of specialists is becoming increasingly common. The team at NG&J had a high profile in the industry. Its department head, Mr Ian Pittaway, is a former chairman of the Association of Pensions Lawyers. He was also the lawyer for the Mirror Group Newspapers pension scheme before the death of publishing tycoon and Mirror owner Robert Maxwell.

The move reflects the growing demand for specialist legal advice on pensions since the passage of an act which takes effect in April. The act formalises the fiduciary duties of trustees, and increasingly schemes are seeking legal advice from solicitors who do not already advise the employer. Mr Michael Johns, managing partner at NG&J, said the departure of its pensions team had been "an amicable arrangement". Under the agreement NG&J will receive a payment from Sacker and will refer its own clients there. It will transfer to Sacker the share capital of Independent Trustee, a company built up by NG&J to provide independent trustee services to clients. After the departures, NG&J, which specialises in corporate and property law, will employ 110 lawyers, 41 of whom are partners.

## MPs make sell-off demand

MPs are likely to call for the country's newest power station, Sizewell B on the east coast of England, to be excluded from this summer's planned privatisation of British Energy. The trade and industry committee of the House of Commons is likely to urge the government to withdraw Sizewell B from its plans. The main argument for this is that, with the Treasury estimating the net profit from the sale at about £2.6bn (\$4.0bn) the entire privatisation could raise less than the £2.7bn it cost to build Sizewell B.

Such a move would be a serious blow to the sell-off as Sizewell B is the most modern of the eight reactors under the hammer. Privatisation is already in serious doubt because of the government's failure to resolve the issue of who should bear the decommissioning costs of the reactors. One committee member said: "We feel that Sizewell is actually going rather well, and that given another six months or a year it could raise more money for the government. It seems silly to rush to sell an asset which is appreciating in value at a knockdown price."

Robert Shrimley, Westminster

## Network service expands

Torch Telecom, a joint venture between Yorkshire Electricity and Kingston Communications, will today announce new customers for its advanced intelligent network service, including one of the biggest deals of its kind in Britain. The effect will be to increase revenues more than fourfold. This year, its first in full commercial operations, Torch had turnover of about £3m (\$4.6m). It expects turnover of at least £14m next year.

It has signed a contract worth about £10m over five years with Interactive Media Services, the UK's biggest automated call handler, which records and answers more than 50m calls a year on behalf of customers including leading advertisers and media owners. Torch won the IMS contract in competition with British Telecommunications and Mercury. It will provide IMS with 600 additional interactive voice processing systems, giving the call handler 2,400 fully automated lines.

Alan Cane, Industrial Staff

## Daewoo opening in N Ireland

Daewoo, the South Korean carmaker, is to open its first wholly owned showroom in Northern Ireland in April. The move to set up a retailing network in the region follows Daewoo's successful introduction in mainland Britain. It has become the fastest-growing car brand on record since sales began in April through a network of wholly owned showrooms and Halfords motor parts and service centres. Nearly 15,000 cars were sold in the first nine months of Daewoo's operations. That was despite motor trade predictions that the company would be handicapped by not taking the conventional approach to car sales through a network of independent dealers. The first Northern Ireland outlet is to be in Belfast, with others expected to follow.

John Griffiths, Industrial Staff

## Accountancy firm expands

Price Waterhouse, the "Big Six" accountancy firm, is to help establish a stand-alone legal firm. It will probably be placed in-house but will be independent of the accountancy firm and able to accept its own clients. The move is designed to fill a gap in PW's European-wide network of associated legal firms. The firm is to be headed by Chris Arden from the Leeds-based firm of Hammond Suddard. Stand-alone firms can provide a wide range of services to PW's clients without falling foul of Law Society rules which restrict in-house lawyers. PW is the second "Big Six" firm to take the route - Arthur Andersen also has an associated law firm.

Jim Kelly, Accountancy Correspondent

Driver gives up: Mr Keith Murray, a publisher from Aberdeen in Scotland, announced that he was giving up driving after failing his test 35 times in 10 years. The tests and his 1,450 lessons have cost £9,000 (\$13,800). "I'm a nervous person at the best of times, and I just couldn't handle doing my test with someone sitting beside me watching my every move," he said.



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"Moving the company will seem easy once we've shifted all the paperwork."

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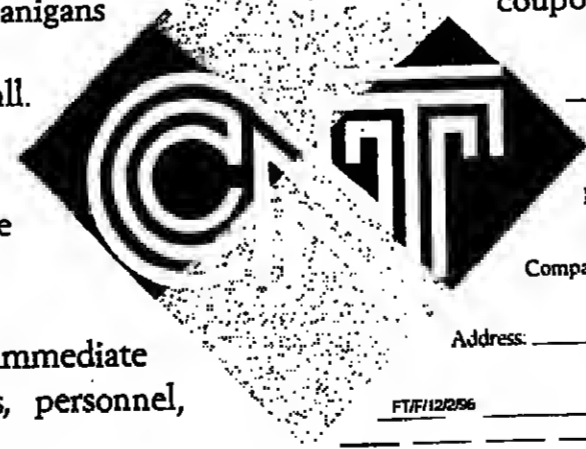
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THIS WEEK

# Passionate about culture – sometimes

Sympathy seems to be an especially fickle emotion in Italy. When great disasters and tragedies happen, a wave of sympathy is quickly generated and then fanned enthusiastically by the media, as though there is competition to show the greatest concern.

But pretty soon attention is diverted and the sympathy evaporates as quickly as it materialised. It will be interesting, therefore, to observe the staying power of the sympathy and attention given to Venice as a result of the fire which gutted the city's historic La Fenice opera house. Nearly two weeks have passed since the disastrous fire which left only the shell of the 200-year-old opera house standing.

Venice enjoys a special place in the Italian cultural pantheon, and the opera house was redolent with famous operatic associations. Venice also possesses an energetic and charismatic mayor in the form of philosopher-politician Massimo Cacciari. As a result, there is great interest in the fate of the Fenice.

Several newspapers have set up special collection funds and writers have started to discuss the logistics

of rebuilding the building in two years. The government says it is willing to waive the procedure requiring 34 signatures for each document concerning the reconstruction of an historic monument in an historic city centre. The president of the republic has even made a special visit to the site. Fund raising concerts are being planned and more money is likely to be collected as the Venice carnival gets under way this week.

Yet precisely because Venice can ask for and receive special treatment, the Fenice fire has drawn attention to other less fortunate cases. These include the Petruzzelli opera house fire of October 1991.

News of this fire has long been off the country's front pages, even though it destroyed the complete interior of the opera house, built in 1888 in Bari, southern Italy, and one of the most important opera houses in southern Europe.

Promises of a quick reconstruction

**DATELINE**  
**Rome: Italians can be surprisingly fickle when it comes to salvaging and maintaining the country's heritage, reports Robert Graham**

world tip-off that the fire was deliberately started. Fernando Pinto, the opera house manager, was arrested in July 1993 for alleged arson. It was discovered that the proprietors, the Messana Nemagna family, were to sell the ruined theatre to the local authorities for an agreed, cheap price.

A costly reconstruction (out of public funds) was then to follow, providing the opportunity for a contract to be awarded to firms that were almost certainly linked to the mafia.

Pinto successfully challenged the initial case against him. But subsequent investigations led to the arrest of two others who were then accused of being directly responsible for starting the fire.

This week Pinto is expected to appear before a Bari court charged with having provoked the fire to profit from the reconstruction.

Meanwhile, the status of the Petruzzelli is in limbo. The proprietors still plan to sell the theatre, but require permission from the municipality for a change of use for the building.

The matter is complicated by the original land concession which will be up for renegotiation in three years' time. While the municipality will buy the theatre, there is a discrepancy between what the



mayor and councillors think the Petruzzelli is worth in its present state, and what the owners are asking. Many believe that the municipality is dragging its feet until the land concession expires.

Like so many things in the south, the saga risks becoming more entangled and complex as time goes by. This has happened in the case of the Teatro Massimo, an enormous opera house which dominates central Palermo in Sicily and which has been closed for more than two decades while desultory repairs are carried out.

Reconstruction of the Petruzzelli is also hampered by Bari's lack of international appeal and consequently its inability to maintain interest in its plight. Venice, on the other hand, has enormous appeal, as does Florence, illustrated when a wing of the Uffizi gallery was damaged by a mafia-planted car bomb in May 1993. Appeals for help were answered immediately.

Equally, Naples, as host of the G-7 summit in July 1994, lifted its profile and attracted government funds for city improvements. Antonio Bassolino, the city's mayor, helped put the funds to good use, re-establishing Naples on the tourist map and boosting its conference business.

However, away from the tourist trail and just beyond Naples city centre, decay continues. In the huge hinterland that stretches from Vesuvius to the coast beyond Pozzuoli, neglect is all too obvious.

Pozzuoli, rich in history, looks a shadow of its former past. The coastline once boasted fine Roman villas and its port still has the third largest surviving amphitheatre in Italy. Under 16th century Spanish rule, magnificent forts were built, and until the late 18th century a visit to the Solfatara, the steaming sulphur volcano at Pozzuoli, was a *de rigueur* for any European traveller in Italy.

To stem the decay, Pozzuoli somehow has to gain the attention and sympathy of the Italian public – a task for which there is a great deal of competition.

PEOPLE

## Outsider from the trenches

Alistair Defriez is a popular choice to head Takeover Panel, writes David Wighton

Alistair Defriez's appointment as the next director-general of the UK's Takeover Panel caused some surprise in the City of London last week. "It's extraordinary – they've given the job to someone with a sense of humour," joked a colleague.

A popular choice for what is one of the City's top jobs, Defriez has been a member of the corporate finance department of what is now SBC Warburg for 16 years.

"He is not the suave, old-style City type you might expect in the job and he doesn't take life too seriously. But he is actually much more representative of the modern City," says a fellow investment banker.

Michael Tory, a former colleague at Warburg who recently moved to Morgan Stanley, describes it as an "inspired" appointment. "Alistair balances intellect with iconoclasm in a way that will be beneficial to the panel and to City practice."

The City is proud of the panel, an independent body which oversees the conduct of takeover bids. It is the one arm of the City's system of self-regulation which is generally judged to work well. By tradition, the director-general is an active merchant banker who takes a two-year secondment from his firm.

Unlike some directors-general, who, by the nature of their seniority, have become somewhat divorced from the day-to-day business of bids, Defriez, 44, has stayed in the thick of it.

He has been involved in a number of high-profile, and sometimes controversial, battles, most recently defending Northern Electric against Trafalgar House and (unsuccessfully) Forte against Granada. In both cases, he made frequent appeals to the panel about the conduct of his opponents.

In the Northern Electric bid, he challenged the controversial derivative contracts struck between Trafalgar and its advisers, Swiss Bank Corporation, which some viewed as breaking the spirit of the insider dealing regulations. After an



inquiry, SBC was cleared of breaking the takeover code, but the panel decided to review the rules.

The panel is widely expected to conclude that no significant changes are needed, but Defriez insists this will not cause a problem for him. "It would be wholly wrong to go into the position carrying over a legacy," he says.

The Northern bid was so hard fought that when, a matter of weeks later, Swiss Bank Corporation took

over Warburg, many thought Defriez's days at the firm would be numbered. Yet he was soon working with John Walker-Howarth, a former director-general of the panel, on Forte's defence, and SBC Warburg insiders deny that his prospects in the firm have been blighted. "He would not expect to make it to the very top but he is a very solid operator," says one.

Defriez admits that the new job has its downside. "For two years,

you are out of the game. But it is a great honour and it is one of those invitations you cannot refuse."

While his appointment has been well received, there are some observers who question whether the invitation should have been made to a higher-profile figure. They argue that the next two years will see a serious challenge to the system of self-regulation, particularly from Brussels, which could threaten the City's competitive position. "What the City needs is a heavy-weight around which people will rally. It is a very important issue which we cannot afford to get wrong," says one senior investment banker.

Defriez agrees it is an important issue to which he expects to devote considerable time together with the panel's chairman, Sir David Calcutt. "In some respects, one would like to see greater harmonisation across Europe but not at the expense of our non-statutory system."

In general, Defriez believes the panel is working well, and he scrupulously avoids criticism of his predecessors. But other bankers believe there is scope for the panel's operations to be tightened up. "Over the last few years, the panel has begun to lose touch with the operators, and in some areas it has become ossified," says one. "Defriez will stress the importance of a speedy response – like a good football referee."

Defriez, the son of a City fund manager, was educated at Dulwich College in south London and University College, Oxford. He spent five years at accountants Coopers & Lybrand before joining Warburg.

He proudly reveals he captained his college rugby team at Oxford where he was a nipper fly-half. Perhaps best described as stocky, he spends Sunday mornings coaching the under-12 rugby team in which his two sons play, and regularly works out in a City gym. But as he admits with a typically self-deprecating chuckle: "You wouldn't think so to look at me."



### Deutsche Telekom decides it will go Dutch

It takes some guts to hire a former chief executive of Fokker, the troubled Dutch aircraft maker which has made headlines around the world in recent weeks, writes Michael Lindemann in Bonn. But that is exactly what Deutsche Telekom has just done.

Erik Jan Nederkoorn, the 53-year-old who started his professional career as an auditor at the accountancy firm Price Waterhouse, last week assumed responsibility for all Deutsche Telekom's international activities, an area which will be of key importance to the company as it strives to become a global force in the rapidly changing telecoms market.

It was Nederkoorn, Fokker's chief executive from 1991 to 1994, who negotiated the sale of Fokker to Germany's Daimler-Benz, a deal billed as a triumph for Europe's aerospace industry but which has ended in tears in recent weeks.

Yet some analysts point out that Nederkoorn has been vindicated following the recent disasters at Fokker. It was Nederkoorn, after all, who wanted to make more substantial cuts at Fokker in an effort to improve productivity. When that proved impossible he left, becoming chief executive of Arke, the Netherlands' biggest package tours and tourism group, owned partly by the Dutch aviation carrier KLM and partly by TUI, Germany's biggest tourism group.

Given Arke's German parent – and the earlier negotiations with Daimler-Benz – Nederkoorn has had plenty of exposure to German corporate life.

Indeed, he hopes to draw on his experience to help Deutsche Telekom in its dealings with politicians in Bonn, as the company moves towards partial privatisation later this year.

Ron Sommer, Nederkoorn's new boss and Deutsche Telekom's chief executive, has yet to develop those skills.

### Pedro Aspe opts for a politically correct position

Pedro Aspe, Mexico's former financial czar, has just emerged from the statutory year of purdah imposed on ex-civil servants to take up a senior position with the Monterrey-based Pulsar group, writes Leslie Crawford in Mexico City.

Aspe is perhaps the only member of Carlos Salinas's government whose reputation is still intact following the financial crisis and corruption scandals that have hounded the former president.

He studiously kept out of the fray while Salinas and his successor, Ernesto Zedillo, traded recriminations over the disastrous devaluation of the peso in December 1994.

While the debate raged around him, Aspe kept silent, neither defending nor admitting mistakes in his handling of economic policy. While there had been speculation that he might become president of the Central Bank of Mexico or even take a job on Wall Street, Aspe has opted for a lower-profile assignment – joining Pulsar's new investment bank as a partner and managing director.

In a country where politics and business frequently mix with unsavoury results, Aspe appears to have chosen his new occupation with care. Pulsar, which has interests in insurance, textiles and cigarette manufacturing, is one of the few conglomerates in Mexico that did not get involved in the wave of acquisitions flowing from Aspe's privatisation programme.

Meanwhile, those who want to know what Aspe really thinks about recent economic history should perhaps roll up to his classes at the Technical University of Mexico, where he has been teaching economics for the last year. Aspe won't be giving up his professorship. He has simply rescheduled his classes to start at 7am.

### Chrysler finds its very own Warren Buffett

Chrysler may have succeeded in keeping Jerome York, an ally of disident shareholder Erik Kerkorian, off its board, writes Richard Waters in New York. But in John Neff, the famously outspoken mutual fund manager, it has just given a seat to someone whose presence in the boardroom is likely to prove equally as bracing.

Neff's arrival is part of a complex balancing of interests designed to bring peace to the US carmaker. The Kerkorian camp obviously approves: York says he was consulted about the Neff appointment before it was announced.

Neff, who retired at the end of last year after 30 years managing the Windsor Fund, is one of the elder statesmen of the modern mutual fund era. Like Warren Buffett, the legendary investor, Neff turned the business of spotting undervalued stocks into an art form, averaging a return of more than 13 per cent over his three decades, against the S&P 500's return of around 10 per cent.

Now 64, Neff has created waves in Chrysler's boardroom before. Back in 1991, when he controlled 7 per cent of the company, he publicly urged it to strip the legendary Lee Iacocca of his chairman's title and give it instead to Bob Lutz, the president. Chrysler met him half way, handing the crown instead to Bob Eaton.

As another big Chrysler shareholder said at the time: "If you own 7 per cent of the stock, I don't see why you can't express an opinion about it." That, no doubt, is a sentiment with which Kerkorian would sympathise.

Economics Notebook / Robert Chote

## Graduate glut forecast for 2001

Expanding educational opportunities in the UK look set to create as many losers as winners

Imagine the scene in five years' time. More than 800,000 first-year graduates scattered across Britain, unable to find jobs which make use of their hard-earned qualifications. A discouraging prospect for anyone contemplating higher education.

But is it really conceivable that Britain could have too many graduates in 2001? After all, politicians and economists never tire of warning us that we must improve our education system. The UK faces rapid technological change and competition from low-wage rivals overseas, they argue. So improving the quality of the workforce is the only way to safeguard jobs and incomes.

That may be true in the long term, but for now the British education system is churning out more highly qualified workers than employers need. The number of highly qualified people in Britain is expected to rise by 45 per cent during the 1990s, while the number of "suitable" jobs for them is set to increase only two-thirds as fast.

These gloomy predictions come courtesy of Rob Wilson at Warwick University. He would be the first to admit that long-term projections of demand and supply in the labour market should be taken with a hefty pinch of salt. But his work nonetheless provides a salutary reminder that expanding educational opportunities can create losers as well as winners.

During the 1980s employment of highly qualified people in Britain rose at a brisk 4 per cent a year, reaching 4.6m in 1991. Over the same period employment in the economy as a whole rose by only 0.7 per cent a year, reaching 26.3m.

(The highly qualified here include all university graduates and holders of equivalent professional qualifications, plus post-graduates and anyone with a qualification exceeding the "A"-level taken at age 18).

The main reason for the rise in graduate employment during the 1980s was a shift in demand towards managerial and professional occupations. Wilson expects this to continue in the 1990s, driven by "organisational and technological change". Engineers, technologists, computer programmers, and business and financial professionals will also be sought after.

But what about supply? The proportion of young people entering higher education has been rising for 30 years, reflecting rising incomes and easier access to college. This trend is expected to continue or at worst flatten in the next few years. But with the number of 21-year-olds set to rise rapidly after 1999, this implies "a sharp increase in the numbers of those obtaining higher level qualifications in the next few years".

With supply outstripping demand on current trends, Wilson expects the workforce to contain 6.9m highly qualified people in 2001. But there will be only 6.1m high-level jobs available for them to do.

So should we resign ourselves to a dystopian society in which gangs of unemployed Oxford alumni gather in shopping malls, drinking meths and discussing Derrida? Probably not. As the surplus of highly educated people grows, supply and demand will respond. For example, a fall in the earnings premium which the highly educated enjoy might simultaneously dis-

courage people from entering higher education and make graduates more attractive to employ.

In the US the education premium has risen rapidly in recent years. College graduates on average earned 74 per cent more than high school graduates in 1994, up from only 38 per cent more in 1979. A rising education premium also shows up in the growing differential between the pay of non-manual and manual workers in the UK.

The surplus of highly qualified people may also be contained if demand for them grows more quickly than recent trends suggest. Technological progress and competition from newly industrialising countries may skew demand away from unskilled workers and towards the skilled even more quickly than it has done already.

As Alan Krueger of Princeton University argued at last week's World Economic Forum in Davos, the

spread of computerisation is making employers increasingly keen to take on highly educated staff.

"Qualification inflation" is another possibility. As well as applying for the new highly skilled jobs created by technological progress, the well educated may also compete for jobs currently held by the less qualified. And once the highly qualified move into those jobs, there is evidence that they move the skill requirements involved permanently upmarket. This means the less well educated have difficulty reconquering these positions even if they get the opportunity later on.

In some cases employers reject the highly educated as candidates for these jobs because they regard them as over-qualified, and therefore suspect that they will move on quickly when they find something better. But there is evidence from both sides of the Atlantic that

many well educated people have moved downmarket to the US the proportion of graduates either unemployed or in "high school jobs" has risen from 11 per cent in 1970 to 20 per cent in 1990, with the UK showing similar trends.

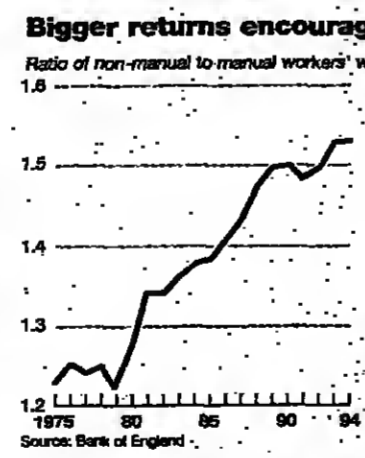
This is an alarming prospect for people in the middle of the labour market – those who are neither unskilled nor highly educated.

On the one hand, they face competition from better qualified rivals at home who cannot get the high level jobs they desire. And on the other hand they face competition from their peers overseas. As an article to be published in this week's *Bank of England Quarterly Bulletin* observes, investment in technology and education in the newly industrialising economies of Asia means that their citizens are increasingly competing with their skilled western counterparts rather than the unskilled.

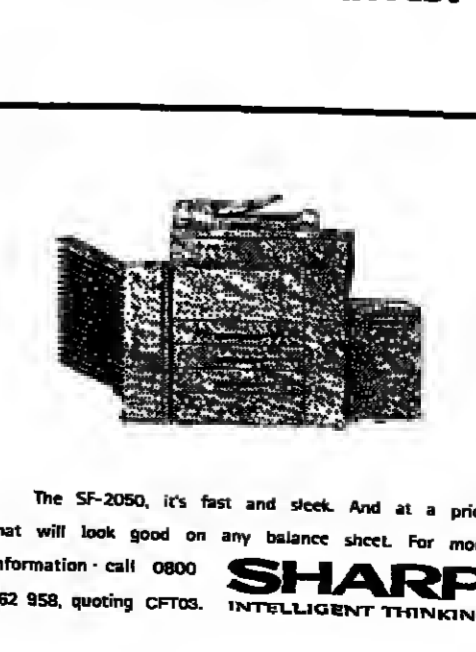
This does not imply that encouraging more people into higher education in Britain has been a mistake. As more companies adopt the sorts of technology which will allow them to exploit highly qualified employees, so the rewards will gradually become more apparent.

But the process might well prove painful in the short term. Many graduates are having to lower their career expectations for a few years and this in turn may step up the already intensifying pressure on those people just below them on the skills and education ladder.

*Review of the economy and employment: future employment prospects for the highly qualified, by Rob Wilson, Institute for Employment Research, Warwick Univ, 1995.*



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Monday February 12 1996

# Banks to be picked for plum Polish sell-off

By Nicholas Denton in London and Christopher Robinson in Warsaw

Poland is about to appoint the investment banks which will manage the largest privatisation in eastern Europe this year - the international public offering of state copper producer Polska Miedz, expected to value the company at about \$2bn (£1.2bn).

Some 13 consortia - including most of the leading US and European investment banks and Poland's largest commercial banks - submitted plans for the privatisation on Febru-

ary 2. Polska Miedz said the privatisation ministry, which controls the company, was expected to draw up a shortlist by the end of the month and then choose managers for the sale.

A consortium led by Goldman Sachs, and groups led by SBC Warburg and CS First Boston, are considered the strongest contenders. The participation of HSBC and N.M. Rothschild in its team bolsters Goldman's effort. SBC Warburg analysts have particular expertise in the mining industry, and CS First Boston has extensive experience in eastern

Europe. Competition for the position of lead manager is intense because Polska Miedz holds five per cent of world copper reserves and its sale will be Poland's largest single privatisation.

The privatisation ministry is considering an international sale of global depositary receipts listed in London, representing about 15 per cent of the equity of Polska Miedz and worth about \$300m. A further 10 per cent, worth about \$200m, will be reserved for domestic investors and about 15 per cent for distribution to

42,000 employees. The company, which is to be listed on the Warsaw Stock Exchange, will represent about a third of the market's capitalisation.

The rise in copper prices between 1994 and 1995 lifted revenues at Polska Miedz by 45 per cent to 3.78bn zlotys (\$970m), on which the company made an estimated net profit of 450m-500m zlotys. But investment bankers pitching for the privatisation mandate are concerned that the copper price, which ended last week at \$2,550 per tonne, is past its cyclical peak.

Polish copper deposits are deep and

expensive to extract, while competitors are able to use more efficient open-pit mining methods. It costs Polska Miedz 82 cents to extract a pound of copper, compared with 40-70 cents for competitors in the US and South America.

Bankers are also concerned that Polska Miedz's diversification plans are reducing its appeal. It is investing heavily in mobile telecommunications after Polkomtel, a consortium including Polska Miedz and Alstom of the US, won a licence to provide GSM digital mobile services.

## INSIDE



**TONY JACKSON**  
**GLOBAL INVESTOR**  
 Merrill Lynch and Salomon say they expect 20 per cent of their future revenues in investment banking to come from telecoms worldwide. The sector, which is valued at about \$650bn after a wave of international privatisations, still only represents 5.5 per cent of the total value of world stock markets. If Merrill and Salomon are right, that proportion is bound to rise. Page 24

**BONDS:**  
 You have more chance of being struck by lightning than finding an economist who believes European economic and monetary union will take place in 1999 with the original Maastricht signatories. But while bond prices suggest investors expect some form of Emu to take place, the implications of a delay are not clear. Page 26

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 The examples of Latvia and Lithuania suggest investors might be wise to keep a close eye on the debt market. Fairly low inflation and strong currencies in both countries make government paper a good buy. Page 25

**CURRENCIES:**  
 Sterling will be in the spotlight as the markets respond to renewed IRA bombing. Some selling pressure is expected, but sustained weakness is not. The heat may be on later in the week, however, after the release of the Scott report into the sale of arms to Iraq. Page 29

**COMMODITIES:**  
 The International Precious Metals Forum kicks off in the UK this week against a background of increased market activity after the London gold price burst through the \$400 a troy ounce barrier in the new year to hit an all-time high just over a week ago. Page 24

**INTERNATIONAL COMPANIES:**  
 A consortium headed by Deutsche Telekom, the state telecommunications network, and Bertelsmann, Germany's largest media group, is holding a crucial meeting today aimed at seeking agreement on a standard decoding box for the launch of pay-per-view digital television this year. Page 22

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## MAM sale highlights doubts on rival bid for MAI

By Raymond Snoddy

City of London doubts that a rival bidder might launch an offer for MAI, which announced a \$3bn merger with United News and Media on Thursday, were highlighted on Friday when Mercury Asset Management sold a significant stake in the UK broadcasting and financial services group.

MAM, the investment group which played the crucial role in the successful hostile bid by Granada, the TV, catering and leisure company, for Forte, the hotels group, sold a 2 per cent stake in MAI for \$25m.

Although MAM retains 6.25 per cent of MAI, the sale seems an indication that it did not believe it likely that any predator, in particular Carlton Communications, under chief executive Mr Michael Green, would bid for MAI and therefore force up the price.

There were, however, unconfirmed reports that MAM spent half the proceeds of the sale on shares in United News and Media, which publishes the Daily and Sunday Express newspapers. In regulatory terms, United would be an easier takeover target for Carlton than for MAI. Carlton could simply "warehouse" Express Newspapers in a dead-weighted company - place ownership in a 50-50 company in partnership with a bank - which is precisely the strategy being adopted by United and MAI.

A Carlton bid for MAI would face a number of hurdles under present ownership rules and would be looked at closely by the Office of Fair Trading because it would give Carlton more than 40 per cent of ITV advertising revenue.

A number of newspapers suggested yesterday that Mr Green, who last week interrupted a holiday in the Caribbean before the United-MAI deal, was being encouraged to intervene. Mr Green declined to comment yesterday, although the fact that he was at home rather than at Carlton headquarters suggests nothing is imminent.

United-MAI believes Carlton is the only company likely to try to make a counter bid for one or other of the parties.

Another possible candidate, Lord Rothermere's Associated Newspaper group, publisher of the Daily Mail, is not interested. Its intention has been to wait until the broadcasting bill before Parliament is passed before making its move.

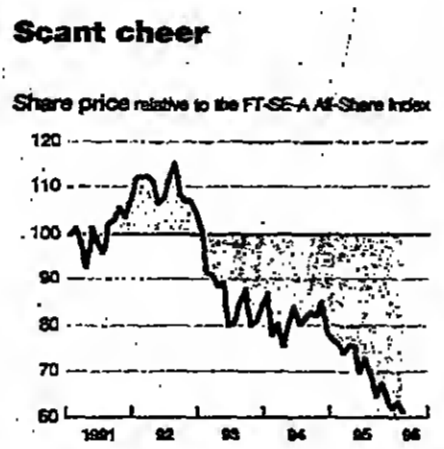
The bill will allow newspaper groups to own television stations and vice-versa. Possible Associated targets might include RTV, the ITV company for Wales and the west, or a buy in commercial radio, such as London station Capital.

## Roderick Oram reports on Allied Domecq's struggle to pull off a turnaround

### Long wait for some news to raise the spirits

Scant cheer

Share price relative to the FT-SE-AE Share Index



Given that this is the year when everything is expected to come right for Allied Domecq, 1996 has started rather badly.

A second profits warning in seven months from the international spirits, wine and retailing group last week knocked the shares back near to a five-year low. "The way that Allied gave its profits warning at its annual meeting signalled a company in serious difficulties," NatWest Securities' analysts advised clients.

Mr Tony Hales, chief executive since 1991, is credited with enhancing Allied's drinks side by buying Domecq of Spain for \$739m (\$1,138m) in 1994 and shedding food manufacturing and peripheral activities.

But the strategy has yet to shine. When Domecq was bought, the City's forecast was for pre-tax profits this year of about \$750m. Negative factors have cut that to about \$580m.

Some are no fault of management, such as the peso devaluation of Domecq's Mexican profits. Others, such as over-stocking by some Allied drinks distributors, show inadequate management control, analysts believe.

City of London concerns are focused on the performance of drinks, which account for just under half the group's profits. A reorganisation begun last June turned Allied from a diverse holding company into a drinks group with a big sideline in retailing through UK pubs and off-licences, and Baskin-Robbins ice cream and Dunkin' Donuts franchised stores.

Mr Hales said he spends about half his time on the drinks side and the rest on other group activities. In contrast, full-time chief executives

run the spirits arms of Guinness, Grand Metropolitan and Seagram, which rank with Allied as the world's four largest spirits companies.

The four have had a tough five years, with drinkers reluctant to consume more or better products or accept price rises. The producers made matters worse by sharply reducing advertising spending in the recession of the early 1990s.

The problem is highlighted by the decline of Allied's key brands in the US, a country that generates about one third of its drinks profits. They fell faster than their markets during 1989-95, with shipments of, for example, Beehive gin off 30 per cent and Courvoisier cognac off 25 per cent, according to the company.

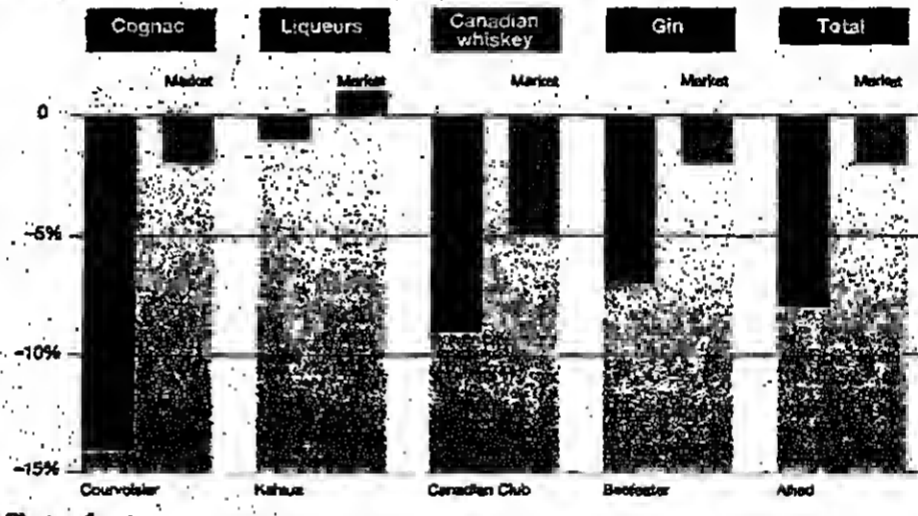
"We were under-spending on advertising and overpricing," said Mr Hales. Allied's US advertising spend halved between 1990-94, according to Jobson's, an authoritative drinks trade commentator.

Only in the past 18 months did the four companies begin to cut costs and invest the savings in more and better advertising and new products. Their complex brand, country and regional structures were ripe for rationalisation.

Now Allied has "brand centres" in Bristol and Los Angeles, which each have a portfolio to co-ordinate globally. Execution of marketing is in the hands of country organisations, old brand companies such as Harvey's sherry are simply producers and the supply chain is being streamlined.

Allied lifted its spending on advertising, marketing and promotion by 12 per cent last year to about \$400m. At 13 per cent of sales, the spend is comparable to Guinness's and

Performance of leading brands in US Volume 1991-94 (% change)



Share of US profits 12%, 44%, 20%, 10%, 86%

GrandMet's. A rise of about 6 per cent is planned this year. Allied believed it had turned the corner in the US, forecasting increased market shares there this year for its four main brands and a sharply rising trend thereafter. These plans were disrupted, however, by Christmas sales. The group had budgeted a 10 per cent rise in a static market, but poor sales by some brands, particularly Canadian Club, left increased stocks with distributors and retail purchases up

only a percentage point or two. Mexican news is brighter, with peso profits recovering. But sterling profits will still take several years to match the pre-acquisition peak. Europe is no less of a slog for Allied than its competitors, but in Asia it is trailing them while still searching for a new regional chief executive.

A pick-up in any of these regions would help allay fears of a dividend cut. But in any case, pre-tax profits of \$580m this year for \$4p per share of

earnings would cover the current dividend about 1.4 times. Cashflow would only cover 80 per cent of the dividend but Allied's balance sheet gearing of 65 per cent would allow it to fund the difference with debt.

However, many in the City of London are eager for the arrival of Sir Christopher Hogg, one of the most respected executives in Britain, as chairman on April 1 to help Allied's management sharpen up its act. Lex, Page 20

## Analysts question De Beers cartel's claimed share of world diamond trade

By Kenneth Gooding, Mining Correspondent

The international diamond cartel organised by De Beers of South Africa has a far smaller share of global trade in rough or uncut diamonds than it claims, according to an independent analysis of the market.

This suggests that world supply of rough diamonds in 1995 reached 130m carats, worth \$7.2bn, and that the cartel's share was 63 per cent, not the 70-80 per cent claimed by De Beers' London-based Central Selling Organisation.

The CSO's share of the market in 1994 was even lower - 56 per cent of global sales worth

\$7.6bn - according to the analysis, prepared by Terraconsult, an Antwerp consultancy, and Diamond International and published by the CRU International consultancy.

Diamond supply statistics are under greater scrutiny than ever from the industry and analysts because of worries about the cartel's future. The CSO is having difficulty negotiating a new contract with the Russian industry.

"Institutions and diamond companies are checking more closely than ever whether the CSO still actually retains control of the marketplace," says Mr Mark Cockle, editor of Diamond International.

The CSO has been losing market share partly because of Russian diamonds being sold outside the present contract.

There has also been an increase in activity by individual diamond hunters in Africa and South America, according to Terraconsult.

The research uncovered some anomalies: Belgian import statistics showed that more than 10m carats, worth \$730m, were imported from Liberia - far more than that country produces.

"It is likely that couriers bringing diamonds into Belgium have used Liberia as a cover to protect the source's origin," says Terraconsult. "The most probable sources

are Russia and Africa."

The CSO insists its share of the market remains at 70-80 per cent. It says the analysis fails to take account of the purchases the CSO makes in the free market, where it mops up excess supplies.

Neither, it says, does the analysis take full account of the fact that the CSO has a quota system and producers are being asked to stockpile 15 per cent of the diamonds that otherwise would have been sold through the cartel.

Terraconsult and Diamond International say that the CSO has done "a remarkable job" of matching supply and demand and the market has been kept in equilibrium.

## Prudential poised to determine stance on Farnell bid for Premier

By Christopher Price

Prudential Corporation will today decide whether to support Farnell Electronics' £1.8bn takeover of Premier Industrial Corporation at Thursday's extraordinary meeting. The UK insurer's decision could prove crucial to the deal's chances of gaining shareholder approval.

Two institutional shareholders have come out publicly against the agreed merger, announced three weeks ago, which would create the world's third-largest electronics component distributor.

Standard Life and Legal & General both expressed concern over the price Farnell is paying for the US group and

the dilution to shareholders' earnings. There are also worries over the ability of the group to run such a huge undertaking, particularly with the Mandel family, which manages and controls Premier, holding a potential 25 per cent share in the new company.

So far, institutions speaking for about 7.5 per cent of Farnell shares have indicated they will vote against the deal, Norwich Union, which holds 3.5 per cent, was unavailable for comment yesterday on reports that it too will vote against.

The Farnell board requires three-quarters of the votes cast to win approval. Observers believe the vote is running in favour of the merger by five to two. The situation is likely to

be further complicated by the number of shareholders who both to vote. Typically, company meetings are attended and voted at by fewer than half the shareholders. Should the Prudential, which holds nearly 6 per cent, vote against, the gap would be closed, placing the outcome on a knife-edge.

However, given the controversial nature of the deal, a larger turnout could be expected, which is likely to favour the Farnell management.

Directors of the UK group have made more than 60 presentations to institutions in the past fortnight, and will continue today and tomorrow in an attempt to dissuade the dissenters.

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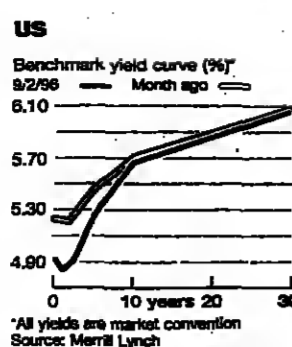


WORLD BOND MARKETS: This Week

NEW YORK

Richard Tomkins

US Treasuries have had a choppy week, weighed down by the new securities that hit the market with the Treasury's quarterly refunding auctions.

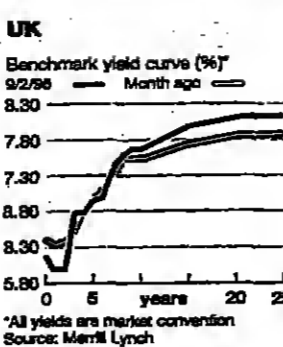


Philadelphia Federal Reserve district. Closely watched will be the business conditions diffusion index in the Philadelphia business outlook survey, due on Thursday.

LONDON

Conner Middelmann

After tracking US Treasuries and German bunds in the past fortnight, UK gilts will have a healthy crop of home-grown data to lead the way this week.

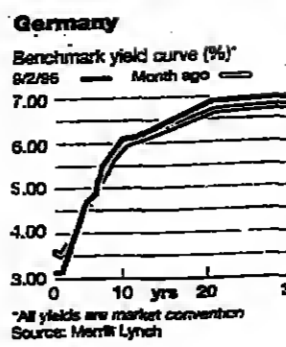


prices index data will be key, and are widely expected to show a further fall in the underlying RPIX rate to 2.7 per cent, from 3.0 per cent in December.

FRANKFURT

Andrew Fisher

The financial markets had some gloomy data to digest last week, with record unemployment and falling orders.

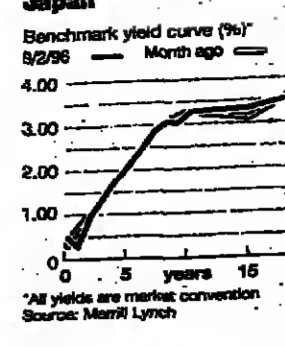


the discount and Lombard rates (now 3 and 5 per cent respectively) at Thursday's council meeting, with the fixed-rate securities repurchase (repo) level rolled over for another two weeks, but does expect an eventual rate cut.

TOKYO

Emiko Terazono

A rise in the supply of new debt is worrying some market participants as an increasing number of companies dip into the market for funds.



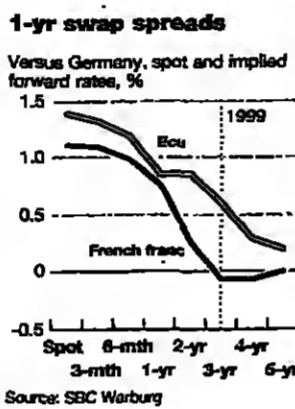
The bond market may also be hit by selling by Norichukin, the leading agricultural financial institution. Mr Ichizo Ohara, the agricultural minister, revealed that Norichukin will raise ¥200bn, its share in the ¥6,410bn housing loan back-out scheme through bond sales.

Government bonds

How to get from Ecu to euro via Emu

You have a better chance of being struck by lightning than finding an economist who believes European monetary union will take place in 1999 with the original signatories to the Maastricht agreement.

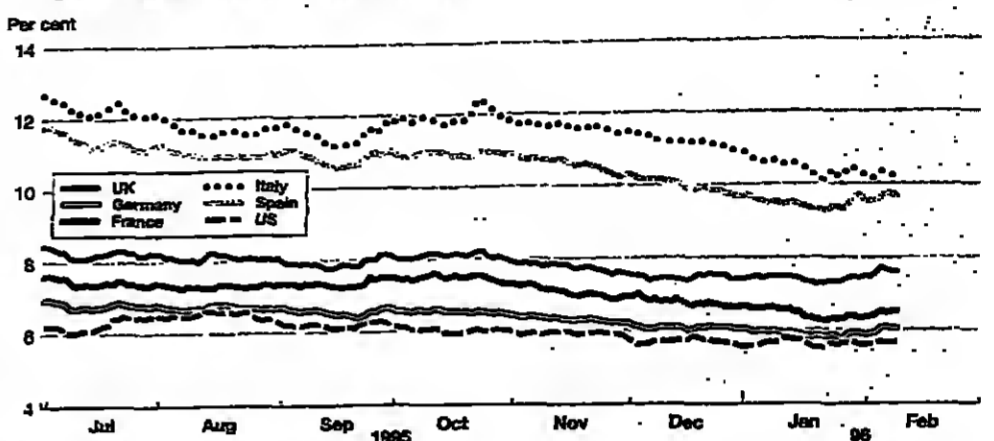
Ecu, a currency backed effectively by nobody. A two-tier market has developed, she says, with issues that redeem in Ecu because they expire before 1999 trading cheaper than those maturing after 1999 and currently due to be redeemed in euro.



"Despite the recent negative publicity there are still a number of people who believe that the politicians might get it pushed through," said Mr Garry Jones, head of global bond strategy at Paribas.

that even if Emu doesn't happen, French rates will fall. But he sounds a note of warning: "What is very clear from these charts is that the market is very exposed to disappointment on Emu, and a postponement would threaten the market unless it was replaced with a very credible Emu process."

10-year benchmark bond yields



INTEREST RATES AT A GLANCE

Table with columns for USA, Japan, Germany, France, Italy, UK and rows for Discount, Overnight, Three month, One year, Five year, Ten year interest rates.

US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%

Table with columns for Month, Open, Set price, Change, High, Low, Est. vol., Open int. for Mar, Jun, Sep.

Advertisement for ORKLA ASA, USD 600,000,000 Multi-Currency Revolving Credit and Guaranty Facility. Lists various banks as arrangers and agents.

WWF logo and text: "TO SAVE ALL THESE TREES WE HELP CHOP DOWN THIS ONE." Includes a picture of a tree.

Advertisement for Zloty issues given a warm welcome. Discusses Polish zloty bonds and includes a line graph of Zloty against the dollar and T-Bill rates.

Advertisement for US\$460,000,000 Mandatorily Convertible Guaranteed Bonds issued by Henderson Capital International Limited.

Table titled "NEW INTERNATIONAL BOND ISSUES" listing various bond issues with columns for Issuer, Amount, Maturity, Coupon, Price, Yield, Launch spread, and Book runner.

Handwritten Arabic text: "مكتبة التجميع"



**EQUITY MARKETS: This Week**

**NEW YORK**

Tony Jackson

**Wall St starts the week in tricky territory**

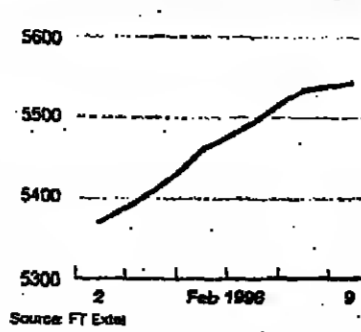
The equity market starts the week in tricky territory. It is only three months since the Dow went through 5,000, and already it is 10 per cent higher at 5,500. The market went up 3 per cent last week alone.

Last week's Treasury auction - the highest in history - produced the lowest yield on the benchmark 30-year long bond since the series started in 1977.

If the bond market is counting on recession, so much the worse for corporate earnings. Indeed, the strength of the two markets may be reaching the point where both cannot be right.

The picture of the real economy is especially murky. The sharp slowdown in some sectors at the end of last year and the reduction of inventories may have been reversed, but the severe weather early this year has made it difficult to be sure.

Dow Jones Industrial Average



This week will bring some relevant data. The Philadelphia survey on the business outlook, out on Thursday, is likely to show further weakening of business confidence.

The survey will be of especial interest since other data this week - industrial production, factory orders and business inventories - are out of date because of the government shutdown.

Equally relevant will be any comments on current trading by companies reporting on the fourth quarter; but the bulk of the results season is already over.

**LONDON**

Philip Coggan

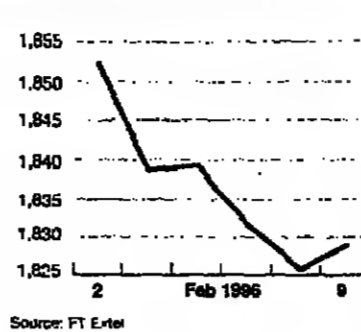
**Investors to focus on first annual results**

The first notable announcements of the results season are likely to grab investors' attention this week, especially as a number of profit warnings have caused concern about the rate of earnings growth. The FT-SE 100 index fell 1.7 per cent last week, while Wall Street was recording repeated all-time highs.

Leading companies reporting this week include BP, Reuters, Shell, Hanson, Lloyds Abbey Life and Lloyds TSB. The figures themselves will be of great interest, but even more so the statements on current trading.

On the economic front, the market will have to absorb the normal mid-month deluge of data, notably producer prices today, unemployment and average earnings on Wednesday, retail prices on Thursday and the public sector borrowing requirement on Friday. Wednesday also sees the

FT-SE-A All-Share Index



publication of the Bank of England's quarterly bulletin on inflation.

The market's recent tendency has been to welcome weak economic data as increasing the chance of an interest rate cut. But it may be reaching the point when it starts to worry more about the likelihood of recession and the effect on corporate profits.

Publication of the Scott report into the sale of arms to Iraq may cause some jitters. The market still hopes the Conservative government can last into 1997; signs of an early election would not be taken well.

**International offerings**

**Prospects brighten for Chinese H share offerings**

Improving sentiment towards China and the weight of its overseas money washing into the Asia Pacific region are set to revive the subdued market for international offerings from China.

The consensus among bankers in Hong Kong is that four issues will be launched by summer, with smaller capital raisings from companies in government-supported sectors likely to lead the pack.

"A lot of uncertainties surrounding China have been removed, especially on import tariffs and the austerity measures, which will ease this year. This will enhance the prospects for China enterprises, and it will become far easier for them to list," said Mr Peter So, assistant director with Schroder Securities Asia.

China's overseas equity raising programme began with a bang in July 1983 when Tsingtao Brewery issued the first H shares, the name given to the Hong Kong-listed stock of former Chinese state enterprises.

Huge sacks were used to cart off the applications and Tsingtao's HK\$859m offering was 110.5 times oversubscribed.

But by last year the positive sentiment had fizzled out, and just three H share issues made it to market, reflecting investors' growing disenchantment with the macroeconomic environment in China and the quality of the companies coming to market.

Some bankers reckon the much-delayed power issues, including Shandong International Power Development (SIDP), could meet a more sympathetic reception this year as falling inflation in China will mean improved real rates of return on projects.

SIDP's HK\$2.7bn global offering, co-sponsored by Goldman Sachs and Peregrine Capital, has been on the back-burner since November 1994.

An imprecise edict from Beijing curtailing the rate of return available to foreigners on power projects conspired with concerns over foreign exchange guarantees to cloud the sector and chase off international investors.

Protracted talks with the Chinese government on tariff agreements has also haunted Datang Power, estimated to be seeking HK\$500m and sponsored by Salomon Brothers.

Mr So adds that China's demand for power will continue to grow, especially as the government expands the economy and seeks to improve the living standards.

Regulations governing the industry also appear to be becoming more clear-cut - it is quite likely they will come to market this year because of the liquidity that is in the market continues to grow, there will be demand for the power industry," he says.

Consumer-related issues are also likely to be popular. Panda Electronics, which has been shunned around a number of merchant banks, is now being arranged by Peregrine Capital and is understood to be raising between HK\$400m and HK\$500m.

More complex issues - for companies bundled up with a raft of assets and welfare-type activities to be stripped out or restructured prior to listing - may well be held in abeyance for a later year, bankers say.

The two airlines, China Eastern and China Southern, were originally bound for Wall Street. But the unimpressive performance and volumes of other China stocks traded there means they are now looking at dual listings.

Mr Alex Ko, a director with Peregrine Capital, reckons the trend for all listings is for an international placement with a Hong Kong public offering.

Bankers reckon the improved sentiment towards China will help blast p/w multiples, but they are wary of a blanket approach. Mark Hantho, head of equity capital markets at Morgan Stanley Asia, points to the 15 per cent year-to-date rise in the index tracking the performance of the A share companies and the 10 per cent increase in the index for their China-listed counterparts, the hard-currency B shares.

China itself, which has two B share markets in Shanghai and Shenzhen, is likely to witness more activity this year, at least partially as a result of government efforts to support the depressed markets and improve their credibility.

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Louise Lucas

**OTHER MARKETS**

**MILAN**

The Italian stock market reaches an important milestone on Friday when it moves to full five-day cash settlement on all its approximately 320 quoted stocks, writes John Simkins.

It marks the end of a process which began in January 1994 with 53 of the least liquid and least traded stocks and is in line with the worldwide trend for short settlement periods.

Herberto, settlement in Milan has been at the end of the stock exchange calendar month.

The intention is to make the market more transparent and trading less risky.

As the smooth functioning of a stock lending market is seen as crucial to the success of five-day settlement, the exchange has endeavoured to provide traders with the requisite tool kit, such as a framework of stock lending contracts.

Five days has also been the period favoured by the exchange for the introduction on February 19 of options on individual stocks, starting with Eni, Generali, Fiat, Stet, Tim and Telecom. Eventually all stocks in the Mib 30 index.

**ZURICH**

There is little in the way of corporate news scheduled for this week to pull the market out of its volatile consolidation of last year's sharp rise.

Instead, investors will have to wait until the end of next week for full-year figures from UBS, which may also provide a brief update on the state of play of the bank's battle with its dissident shareholder, Mr Martin Ebner.

Blue chips have been out of favour in recent sessions. Attention has turned to mid-cap stocks, with domestic and foreign brokers issuing a series of recommendations. Among the stocks drawing attention have been Kuoni, the travel operator, which has risen by 27 since the beginning of December, Adia, the temporary employment agency, up 27 per cent since mid-January, and Danzas, the freight forwarding company, up 20 per cent since the start of this month.

Smaller but still substantial rises have been seen in Keramic, the building materials and porcelain group, almost 8 per cent higher since mid-January, and Schneider, the lifts and elevator maker, which has risen more than 10 per cent this year.

**PARIS**

The equity market fell back slowly but steadily during the course of last week, and even a 15 basis point cut in the intervention rate on Thursday, bringing it down to its lowest level in two decades, failed to enliven sentiment.

While there has been some disappointing corporate news, hardly a surprise to investors, the market's fall seems to have been triggered more by a desire to take profits. The CAC-40 reached an 18-month high of 2,024 at the start of the month, since when it has been back-peddalling.

Results this week include Bancaria tomorrow, with estimates of a 10 per cent increase in the bank's net profit, and Roussel Uclaf, which is due to publish its 1995 report on Thursday, for which the consensus is for a fall in earnings.

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doubling of losses in the film division. But it expects the company to be positive on the 1996 outlook, given its strong release schedule in music.

Royal Dutch's full-year figure is expected to indicate a 23 per cent fall in the fourth quarter, to include restructuring charges for head office reorganisation and the sale of Turkish assets.

UBS expects Philips full-year figures will imply a rise in fourth quarter operating profit of 7.7 per cent. It forecasts that components will again be the strong driver behind profit growth, with an estimated 33 per cent fourth-quarter rise.

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HK\$5.3bn placement by Cheung Kong, the property developer controlled by Li Ka-shing. Mr Li's cash raising, which in the past has coincided with market peaks, saw the market trade lower from Wednesday to Friday.

The wave of warrant issues intensified last week, and merchant bankers reckon there is still appetite for these instruments.

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The Financial Times plans to publish a Survey on

# Latin American Finance & Investment

on Monday, March 25.

It is not yet clear whether the Mexican financial crisis represents a short-term disappointment or a more fundamental setback to the region's long-term growth prospects. This survey will review the issues and policy responses to the crisis, and the prospects for foreign investment in Latin America.

For more information on advertising opportunities in this survey, please contact:

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**FT** FINANCIAL TIMES

**LIBERTY LIFE ASSOCIATION OF AFRICA LIMITED**

RECEIVE A 29.6% INCREASED FINAL CASH DIVIDEND OF 140 CENTS PER SHARE FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 1995

The directors have resolved to award capitalisation shares to ordinary shareholders of Liberty Life who are registered in the books of the company at the close of business on Friday, 23 February 1996. Shareholders are entitled and will be given the opportunity to decline the award of capitalisation shares in respect of all or any part of their shareholding and instead may elect to receive a final cash dividend in respect of the year ended 31 December 1995 of 140 cents (1994: 108 cents) per ordinary share, representing a 29.6% increase over the final cash dividend for 1994. Non-resident shareholders' tax has been abolished in respect of this final dividend and future dividends.

The cash interim and final dividend equivalent announced in respect of the year ended 31 December 1995 amounted in aggregate to 256 cents (1994: 204 cents) per ordinary share, representing an increase of 25.5% over the previous year.

The number of capitalisation shares to which shareholders are entitled will be determined by the ratio that 140 cents multiplied by 1.05 bears to the closing price of the company's ordinary shares on The Johannesburg Stock Exchange ("the JSE") at the close of business on 22 March 1996 averaged with the closing prices on the three business days prior to that date. This more equitable method of calculation of the applicable capitalisation shares differs from the practice previously adopted.

To the extent that capitalisation shares are issued in the above circumstances, this will reduce Liberty Life's liability in respect of Secondary Tax on Companies and will benefit shareholders pro-rata.

The new ordinary Liberty Life shares which will be issued pursuant to the capitalisation share award will be issued fully paid up by way of a capitalisation of part of Liberty Life's distributable reserves. Subject to the approval of the JSE and the London Stock Exchange, a listing for the new Liberty Life ordinary shares to be issued pursuant to the capitalisation share award will commence on Wednesday, 3 April 1996. Documentation dealing with the capitalisation share award and the final cash dividend election form will be posted to shareholders on or about Thursday, 29 February 1996. In order to be valid, completed election forms will need to be received by the company's transfer secretaries, by no later than Friday, 22 March 1996. However, if the form of election is received by no later than 29 March 1996 and the envelope is postmarked 22 March 1996 or a date earlier than that date, the company will accept such form of election. Should such election not be timely received, Liberty Life will automatically issue capitalisation shares to all relevant shareholders concerned.

All fractions of new capitalisation shares awarded will be aggregated and sold on the JSE for the benefit of the relevant shareholders.

It is expected that share certificates in respect of the new Liberty Life ordinary shares and, if applicable, cheques in respect of the final cash dividend and fractions will be posted to shareholders on or about Wednesday, 3 April 1996.

The full preliminary results for the 1995 financial year will be announced on or about 14 March 1996.

On behalf of the board  
D Gordon Chairman  
Johannesburg  
8 February 1996

**CARIPLO**

US\$200,000,000 Floating rate depositary receipts 1998 issued by The Law Debenture Trust Corporation plc evidencing entitlement to payment of principal and interest on deposits with Cariplo-Cassa di Risparmio Delle Province Lombarde S.p.A., London Branch

Notice is hereby given that the receipts will bear interest at 5.67578% per annum from 9 February 1996 to 9 May 1996. Interest payable 9 August 1996 will amount to US\$4,604 per US\$10,000,000 of principal.

Agent: Morgan Guaranty Trust Company

**JPMorgan**

**ASFINAG**

Autobahnen- und Schnellstrassen-Finanzierungs-Aktiengesellschaft

U.S. \$200,000,000 Guaranteed Floating Rate Notes due 1996

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 9th May, 1996 has been fixed at 5.20078% per annum. The interest accruing for such three month period will be U.S. \$130.02 per U.S. \$10,000 Bearer Note, and U.S. \$1,300.20 per U.S. \$100,000 Bearer Note, on 9th May, 1996 against presentation of Coupon No. 14.

Union Bank of Switzerland London Branch Agent Bank  
7th February, 1996

**ASFINAG**

Autobahnen- und Schnellstrassen-Finanzierungs-Aktiengesellschaft

U.S. \$200,000,000 Guaranteed Floating Rate Notes due 1996

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Union Bank of Switzerland London Branch Agent Bank  
7th February, 1996

**U.S. \$300,000,000 Floating Rate Depositary Receipts Due 1999**

Issued by The Law Debenture Trust Corporation (Cayman) Limited evidencing entitlement to payment of principal and interest on deposits with CARIPLO

Notice is hereby given that the receipts will bear interest at 5.67578% per annum from 9 February 1996 to 9 May 1996. Interest payable 9 August 1996 will amount to US\$4,604 per US\$10,000,000 of principal.

Agent: Morgan Guaranty Trust Company

**JPMorgan**

**EUROPEAN INVESTMENT BANK**

Italian Lire 250 Billion Floating Rate Notes Due 2000

Coupon No. 12 due from February 9, 1996 to August 9, 1996 will be payable starting August 9, 1996 at the rate of 9.275%.

ITL 236,592 per ITL 5,000,000 Nominal  
ITL 2,365,920 per ITL 50,000,000 Nominal

**SANPAOLO BANK S.A.**  
Lombard Street  
Agent Bank

**U.S. \$100,000,000**

**CCF**

**Crédit Commercial de France**

Subordinated Floating Rate Notes Due 2005

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from February 12, 1996 to August 12, 1996 the Notes will carry an Interest Rate of 5.00% per annum. The interest payable on the above interest payment date, August 12, 1996 will be U.S. \$25.25 per U.S. \$1,000 Note, U.S. \$252.75 per U.S. \$10,000 Note, U.S. \$2,527.75 per U.S. \$100,000 Note.

By: The Chase Manhattan Bank, N.A.  
London Agent Bank  
February 12, 1996

**CHASE**





LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Table listing companies in the Alcoholic Beverages sector, including names like Diageo, Heineken, and Carlsberg, with columns for share price, dividends, and other financial metrics.

BANKS, MERCHANT

Table listing banks and merchant companies, including HSBC, Citigroup, and Royal Bank of Canada, with columns for share price, dividends, and other financial metrics.

BANKS, RETAIL

Table listing retail banks, including Lloyds TSB, NatWest, and Halifax, with columns for share price, dividends, and other financial metrics.

BREWERIES, PUBS & REST

Table listing breweries, pubs, and restaurants, including Asahi, Heineken, and Wm. Sherrin, with columns for share price, dividends, and other financial metrics.

BUILDING & CONSTRUCTION

Table listing building and construction companies, including Bovis Lend Lease, Bovis Lend Lease, and Bovis Lend Lease, with columns for share price, dividends, and other financial metrics.

BUILDING MATS. & MERCHANTS

Table listing building materials and merchant companies, including Bunnings, Wickes, and Wickes, with columns for share price, dividends, and other financial metrics.

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BUILDING MATS. & MERCHANTS - Cont.

Continuation of Building Materials and Merchants table.

CHEMICALS

Table listing chemical companies, including ICI, DuPont, and Dow Chemical, with columns for share price, dividends, and other financial metrics.

DISTRIBUTORS

Table listing distributor companies, including Asda, Sainsbury, and Asda, with columns for share price, dividends, and other financial metrics.

DIVERSIFIED INDUSTRIALS

Table listing diversified industrial companies, including Unilever, Nestle, and Nestle, with columns for share price, dividends, and other financial metrics.

ELECTRICITY

Table listing electricity companies, including British Energy, British Energy, and British Energy, with columns for share price, dividends, and other financial metrics.

ELECTRICITY

Continuation of Electricity table.

ELECTRICITY

Continuation of Electricity table.

ELECTRICITY

Continuation of Electricity table.

ELECTRICITY

Continuation of Electricity table.

ELECTRICITY

Continuation of Electricity table.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Continuation of Electronic & Electrical Equipment table.

ELECTRONIC & ELECTRICAL EQPT

Table listing electronic and electrical equipment companies, including Philips, Philips, and Philips, with columns for share price, dividends, and other financial metrics.

ENGINEERING

Table listing engineering companies, including BAE Systems, BAE Systems, and BAE Systems, with columns for share price, dividends, and other financial metrics.

ENGINEERING

Continuation of Engineering table.

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EXTRACTIVE INDUSTRIES - Cont.

Continuation of Extractive Industries table.

EXTRACTIVE INDUSTRIES

Table listing extractive industries companies, including Anglo American, Anglo American, and Anglo American, with columns for share price, dividends, and other financial metrics.

EXTRACTIVE INDUSTRIES

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EXTRACTIVE INDUSTRIES

Continuation of Extractive Industries table.

HOUSEHOLD GOODS - Cont.

Continuation of Household Goods table.

HOUSEHOLD GOODS

Table listing household goods companies, including Bunnings, Wickes, and Wickes, with columns for share price, dividends, and other financial metrics.

HOUSEHOLD GOODS

Continuation of Household Goods table.

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Continuation of Household Goods table.

INVESTMENT TRUSTS - Cont.

Continuation of Investment Trusts table.

INVESTMENT TRUSTS

Table listing investment trusts, including Fidelity, Fidelity, and Fidelity, with columns for share price, dividends, and other financial metrics.

INVESTMENT TRUSTS

Continuation of Investment Trusts table.

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INVESTMENT TRUSTS

Continuation of Investment Trusts table.

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LONDON SHARE SERVICE

NEW TRUSTS SPLIT CAPITAL - Cont.

Table listing various investment trusts with columns for Name, Price, Dividend, and other financial metrics.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies with columns for Name, Price, Dividend, and other financial metrics.

OTHER FINANCIAL - Cont.

Table listing other financial companies with columns for Name, Price, Dividend, and other financial metrics.

PROPERTY - Cont.

Table listing property companies with columns for Name, Price, Dividend, and other financial metrics.

SUPPORT SERVICES - Cont.

Table listing support services companies with columns for Name, Price, Dividend, and other financial metrics.

AIM - Cont.

Table listing companies on the Alternative Investment Market (AIM) with columns for Name, Price, Dividend, and other financial metrics.

LIFE ASSURANCE

Table listing life assurance companies with columns for Name, Price, Dividend, and other financial metrics.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies with columns for Name, Price, Dividend, and other financial metrics.

MEDIA

Table listing media companies with columns for Name, Price, Dividend, and other financial metrics.

RETAILERS, FOOD

Table listing retailers and food companies with columns for Name, Price, Dividend, and other financial metrics.

TELECOMMUNICATIONS

Table listing telecommunications companies with columns for Name, Price, Dividend, and other financial metrics.

AMERICANS

Table listing American companies with columns for Name, Price, Dividend, and other financial metrics.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for Name, Price, Dividend, and other financial metrics.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies with columns for Name, Price, Dividend, and other financial metrics.

INVESTMENT COMPANIES

Table listing investment companies with columns for Name, Price, Dividend, and other financial metrics.

OIL, INTEGRATED

Table listing integrated oil companies with columns for Name, Price, Dividend, and other financial metrics.

PHARMACEUTICALS

Table listing pharmaceutical companies with columns for Name, Price, Dividend, and other financial metrics.

RETAILERS, GENERAL

Table listing general retailers with columns for Name, Price, Dividend, and other financial metrics.

TEXTILES & APPAREL

Table listing textiles and apparel companies with columns for Name, Price, Dividend, and other financial metrics.

CANADIANS

Table listing Canadian companies with columns for Name, Price, Dividend, and other financial metrics.

SOUTH AFRICANS

Table listing South African companies with columns for Name, Price, Dividend, and other financial metrics.

TOBACCO

Table listing tobacco companies with columns for Name, Price, Dividend, and other financial metrics.

TRANSPORT

Table listing transport companies with columns for Name, Price, Dividend, and other financial metrics.

PHARMACEUTICALS - Cont.

Continuation of pharmaceutical companies table.

RETAILERS, GENERAL - Cont.

Continuation of general retailers table.

LEISURE & HOTELS

Table listing leisure and hotel companies with columns for Name, Price, Dividend, and other financial metrics.

OTHER FINANCIAL

Table listing other financial companies with columns for Name, Price, Dividend, and other financial metrics.

PROPERTY

Table listing property companies with columns for Name, Price, Dividend, and other financial metrics.

SUPPORT SERVICES

Table listing support services companies with columns for Name, Price, Dividend, and other financial metrics.

WATER

Table listing water companies with columns for Name, Price, Dividend, and other financial metrics.

GUIDE TO LONDON SHARE SERVICE

Price for the London Share Service delivered by FT Share, a member of the Financial Times Group. Company classifications are based on those used for the FT-SE Actuaries Share Index.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing Bermuda (SIB Recognised) funds including Fidelity Currency Funds Ltd, Fidelity International Funds Ltd, and Fidelity UK Funds Ltd.

BERMUDA (REGULATED)\*\*

Table listing Bermuda (Regulated) funds including Bermuda Intl Invest Mgmt Ltd, Bermuda Intl Invest Mgmt Ltd, and Bermuda Intl Invest Mgmt Ltd.

GUERNSEY (SIB RECOGNISED)

Table listing Guernsey (SIB Recognised) funds including AIR Investment Managers (Guernsey) Ltd, AIR Investment Managers (Guernsey) Ltd, and AIR Investment Managers (Guernsey) Ltd.

GUERNSEY (REGULATED)\*\*

Table listing Guernsey (Regulated) funds including AIR Investment Managers (Guernsey) Ltd, AIR Investment Managers (Guernsey) Ltd, and AIR Investment Managers (Guernsey) Ltd.

ROYAL BK OF CANADA O/S Fd Mgrs Ltd - Contd.

Table listing Royal Bank of Canada O/S Fd Mgrs Ltd funds including Royal Bank of Canada O/S Fd Mgrs Ltd, Royal Bank of Canada O/S Fd Mgrs Ltd, and Royal Bank of Canada O/S Fd Mgrs Ltd.

GUERNSEY (REGULATED)\*\*

Table listing Guernsey (Regulated) funds including AMZ Mgmt Co (Guernsey) Ltd, AMZ Mgmt Co (Guernsey) Ltd, and AMZ Mgmt Co (Guernsey) Ltd.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB Recognised) funds including AIR Fund Management Ltd, AIR Fund Management Ltd, and AIR Fund Management Ltd.

Chemical Ireland Fund Administrators Ltd

Table listing Chemical Ireland Fund Administrators Ltd funds including Chemical Ireland Fund Administrators Ltd, Chemical Ireland Fund Administrators Ltd, and Chemical Ireland Fund Administrators Ltd.

ISLE OF MAN (REGULATED)\*\*

Table listing Isle of Man (Regulated) funds including AXA Equity & Law Intl Fund Mgrs, AXA Equity & Law Intl Fund Mgrs, and AXA Equity & Law Intl Fund Mgrs.

ISLE OF MAN (SIB RECOGNISED)

Table listing Isle of Man (SIB Recognised) funds including AXA Equity & Law Intl Fund Mgrs, AXA Equity & Law Intl Fund Mgrs, and AXA Equity & Law Intl Fund Mgrs.

John Goveat Management (Jersey) Ltd

Table listing John Goveat Management (Jersey) Ltd funds including John Goveat Management (Jersey) Ltd, John Goveat Management (Jersey) Ltd, and John Goveat Management (Jersey) Ltd.

JERSEY (SIB RECOGNISED)

Table listing Jersey (SIB Recognised) funds including AIR Fund Managers (CI) Ltd, AIR Fund Managers (CI) Ltd, and AIR Fund Managers (CI) Ltd.

JERSEY (REGULATED)\*\*

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LUXEMBOURG (SIB RECOGNISED)

Table listing Luxembourg (SIB Recognised) funds including AIR AMRO Funds (CI) Ltd, AIR AMRO Funds (CI) Ltd, and AIR AMRO Funds (CI) Ltd.

LUXEMBOURG (REGULATED)\*\*

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Table listing Luxembourg (Regulated) funds including AIR AMRO Funds (CI) Ltd, AIR AMRO Funds (CI) Ltd, and AIR AMRO Funds (CI) Ltd.

مكتبة الامم المتحدة

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Main table containing fund names, codes, and prices. Includes sections for 'OTHER OFFSHORE FUNDS' and 'OFFSHORE INSURANCES'.

MANAGED FUNDS NOTES
Price as at 11.00.00 unless otherwise indicated and fees
disclosed in units in pence refer to U.S. dollars.

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table of stock prices with columns for stock name, price, change, and volume. Includes sub-sections for 'D', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

BE YOUR GUEST GRAND HOTEL CRAVAT advertisement with logo and contact information.

Continued on next page



NYSE COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for stock name, price, change, and volume.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market listing various stocks with columns for stock name, price, change, and volume.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices listing various stocks with columns for stock name, price, change, and volume.

Advertisement for Cyprus, featuring the text 'Have your FT hand delivered in Cyprus' and 'the edge over your competitors by having the Financial Times delivered to your home or every working day'.

Continuation of NASDAQ National Market listing, including various stock symbols and their corresponding prices and changes.

FT GUIDE TO THE WEEK

MONDAY 12

Major makes IRA statement

In the wake of the bomb marking the end of the IRA's ceasefire, John Major, the prime minister, addresses the House of Commons. In Washington, David Trimble, the Ulster Unionist leader, continues meeting senior administration officials in what was to have been an attempt to enlist support for his planned elective process in Northern Ireland. It was Mr Major's need for Unionist support in the Commons that is blamed by Irish nationalists for his reaction to the Mitchell report and his opting for the election plan. Northern Ireland's constitutional parties are in intensive dialogue.

Republican caucuses in Iowa

The Iowa Republican caucuses mark the real beginning of the 1996 US presidential election campaign. Unlike in the Louisiana caucus last week, all the party's candidates are present, with a finish in the top three considered essential for survival into the primaries proper. Bob Dole, the Senate majority leader from neighbouring Kansas, should win but is being pressed hard by publisher Steve Forbes's saturation commercial blitz. Pat Buchanan, Phil Gramm and Lamar Alexander hope to stay close. However, Iowa is not an infallible guide to the nomination.

China-Vietnam trains restart

The first trains linking Vietnam and China in 17 years head for the Sino-Vietnamese border. The link, which was severed when a brief border war broke out in 1978, is not complete: passengers from Hanoi or Beijing will have to disembark and walk a few hundred yards over the frontier before resuming their journey. This is because of a minor border dispute and a difference between the train gauges. China hopes for greater access to Vietnam's market of 73m people, while Vietnam seeks to neutralise any strategic threat from its mighty neighbour by engaging it commercially. Travelling time between the capitals will be 58 hours.

Holbrook battles in Bosnia

In what may be his last Bosnia mission, the US special envoy Richard Holbrook is due to continue his attempts to try to defuse the escalating dispute over the detention of Serb soldiers by the Bosnian government. Mr Holbrook, the main architect of the Dayton peace agreement, is to follow up yesterday's meeting in Sarajevo with top-level talks in Zagreb and Belgrade. He was sent by the US secretary of state, Warren Christopher, who said the mission would send a strong signal that the Dayton accord should be fully implemented. The Bosnian Serbs have broken off relations with the Nato-led peace force, for, for as long as the soldiers are detained. Mr Holbrook is to retire from US government service on February 21.



In London, the long-awaited report by Sir Richard Scott on the sale of arms to Iraq is released

Turkmenistan-Turkey talks

Hopes of reviving a delayed deal to supply gas through a pipeline from Turkmenistan to Turkey are behind a visit to Ankara by the president of Turkmenistan, Saparmurat Niyazov. Construction of the pipeline through Iran from Turkmenistan, which has the second largest gas reserves in the world after Russia, failed to start last May because of financial difficulties.

Bowls

World indoor championships, singles and pairs, Preston, England (to Feb 25).

Public holidays

Cameroon, Japan (National Foundation Day), USA (several states).

TUESDAY 13

China anti-piracy dispute

The implementation of an anti-piracy agreement in China will be discussed by a team headed by Lee Sands, the assistant US trade representative, and their Chinese counterparts, who will be led by Zhang Yuejiao, of the Ministry of Foreign Trade and Economic Co-operation. The talks will be difficult because of sharp disagreement over Chinese progress towards stamping out the rampant counterfeiting of entertainment and information products. Little progress is expected. The US is threatening sanctions unless China makes greater efforts to implement the agreement, which was made a year ago.

Czech steel rescue effort

A final attempt is made to save the Czech Republic's financially stricken Poldi Ocel, one of its three main steel plants. Poldi's

majority owner, Vladimir Stehlik, is discussing a rescue package with the Skoda engineering group that could see Mr Stehlik forfeit his shareholding to Skoda.

Poldi has been in difficulties since Mr Stehlik bought his stake from the government about two years ago.

Yeltsin election declaration

President Boris Yeltsin is expected to fly to his home city of Ekaterinburg, where it is widely anticipated that in two days' time he will declare he is to run again for the Russian presidency, the election for which is on June 12. Mr Yeltsin, 65, whose popularity has plummeted following the Chechen conflict and because of his government's tough economic policies, would appear to face an uphill struggle against a resurgent Communist party led by Gennady Zyuganov - who is expected to be nominated the party's presidential candidate at a congress which also meets on Thursday. Mr Yeltsin, who has been in poor health and has been abandoned by many former allies, may yet decide not to run, heeding his wife's counsel.

WEDNESDAY 14

MEPs debate television

The European parliament debates controversial amendments to the television without frontiers directive, which aims to tighten restrictions drastically on what European broadcasters can transmit as well as to extend quotas to services such as tele-shopping. The

directive would also require theme channels, such as cartoon channels, to invest part of their budgets in European productions.

UK inflation report

The Bank of England publishes its latest quarterly assessment of the government's anti-inflation policy. Financial markets will scrutinise the report for evidence that the Bank was overruled when Kenneth Clarke, the chancellor, cut interest rates for the second month running in January. The Bank will indicate whether it expects the government to achieve its inflation target in two years' time, providing a clue as to its likely attitude to future moves in rates.

Saleroom

The most important single-owner collection of carpets, tapestries and textiles to reach the market in 50 years begins to be dispersed at Christie's in London. The descendants of Lehmann Bernheimer, who started in the antique business in Munich in 1854, are disposing of thousands of woven artifacts, many of which were acquired from European nobles in the 19th century. Among the highlights in the first sale are a 15th-century triple medallion Mamluk carpet, which could make \$450,000, and a 17th-century Persian "Polonaise" silk carpet from the royal workshop at Isfahan, which carries an estimate of up to \$350,000.

Business Travel '96

Europe's only exhibition dedicated to corporate travel opens at the Business Design Centre, London (to Feb 16).

Cricket

Start of the World Cup: England v New Zealand, Ahmedabad, India.

FT Surveys

European Postal Systems, Conferences, Exhibitions and Travel.

THURSDAY 15

Scott report published

The three-year wait for the conclusions of Sir Richard Scott's inquiry into the UK's arms-for-Iraq affair ends at 3.30pm. The report will judge whether ministers, who relaxed British export guidelines to enable companies to sell arms to Iraq in 1988, misled parliament by failing to inform the House of Commons of the decision and then suppressed information to save embarrassment.

The Labour party opposition is after scapels, with William Waldegrave, the chief secretary to the Treasury, and Sir Nicholas Lyell, the attorney general, looking the most vulnerable. However, the government will not want to sacrifice anyone - leaving senior civil servants to answer the issues.

Alert at Bangladesh polls

Thousands of Bangladeshi troops will be at polling booths for what could prove the country's most tense and violent election day since its liberation from Pakistan in 1971. The poll has been delayed twice in attempts to reconcile bitter differences between Khaleda Zia's Bangladesh Nationalist Party, which took power in 1991, and the three main opposition parties led by Sheikh Hasina's Awami League. The opposition has vowed to boycott and oppose the poll, claiming "free and fair" elections will be possible only if Mrs Zia stands down in favour of a neutral caretaker government.

Farnell bid decision

A meeting in Wetherby, west Yorkshire, will decide the fate of the ambitious £1.8bn takeover bid by Farnell Electronic for Premier Industrial Corporation of the US, which would create the third largest electronic component distributor in the world. The deal, which involves the UK group issuing shares and taking on a lot of debt, has split shareholders.

Carnival in Rhineland

Carnival in the Cologne area moves into top gear as offices close for Weiberfastnacht, the ladies day on which maidens and matrons take to the streets with a licence to prey on men, normally by chopping off their neck ties. Festivities go on in the Rhineland until Ash Wednesday.

FRIDAY 16

Former Italian PMs on trial

Hearings resume in Milan in the trial of Silvio Berlusconi, the media magnate and former Italian prime minister, who is among 11 defendants accused of bribing financial police. In Palermo, meanwhile, the trial resumes of another former prime minister, Giulio Andreotti, who is accused of having been a protector of the mafia.

Mastering Management

The FT's 20-part series continues in the UK edition with part 15. Non-UK readers can take out a subscription. Contact: PO Box 384, Sutton, Surrey, SM1 4XR, UK. Tel: +44 181 770 9772. Fax: +44 181 643 7330.

FT Survey

European Stock Markets.

Public holidays

Bangladesh, Ivory Coast, Lithuania, Taiwan (stock market, to Feb 17).

SATURDAY 17

Clinton in New Hampshire

President Bill Clinton joins the Republican field in New Hampshire, ahead of the Feb 20 primary. He is unchallenged in the state where he finished a strong second in 1992.

Rugby union

Five nations' championship: France v Ireland, Paris; Wales v Scotland, Cardiff.

Public holidays

Bangladesh, Mauritius, Nepal, Sri Lanka.

SUNDAY 18

Poles vote on privatisation

Poles vote in a referendum which could open the way to mass liquidations of state assets. The referendum, which is backed by Lech Walesa and the rightwing opposition, asks if people want to be given shares in state property. The opposition argues that the government's privatisation policies serve merely to enrich the former Communist nomenclatura. Polls suggest the turnout could be lower than the 50 per cent level required. This would be a relief to the government, which says there are too few assets to go around and that they should be floated on the stock exchange.

Kohl visits Russia

Germany's chancellor, Helmut Kohl, flies to Russia for a three-day visit to Moscow and St Petersburg at the invitation of President Boris Yeltsin. The German leader will discuss economic co-operation and try to soften Russian hostility toward the planned expansion of Nato to include former Communist countries from eastern and central Europe. Mr Kohl is anxious that Nato enlargement should not become an issue in the Russian presidential election campaign. His visit follows a three-day visit to Moscow by the French prime minister, Alain Juppé, who meets Mr Kohl at the start of the week.

Compiled by Simon Strong. Fax: (+44) (0)171 573 3194.

Other economic news

Monday: UK producer price data is expected to show a smaller rise both in manufacturers' costs and in factory gate prices last month than in December.

Tuesday: The Federal Reserve Bank of Atlanta will publish its measure of business activity. The British Retail Consortium's sales monitor will provide a further indication of trading conditions on UK high streets last month.

Wednesday: UK labour market statistics are expected to show another drop in unemployment last month. But annual average earnings growth is thought to have picked up in December. US December import prices are thought to have risen more than export prices.

Thursday: Economists expect UK retail prices to have fallen last month. Japanese industrial production is thought to have risen again in December. US factory orders are predicted to have increased further in December.

Friday: Figures on UK public sector borrowing are expected to show a repayment in January. US industrial production is forecast to have fallen last month, easing capacity constraints.

ECONOMIC CALENDAR

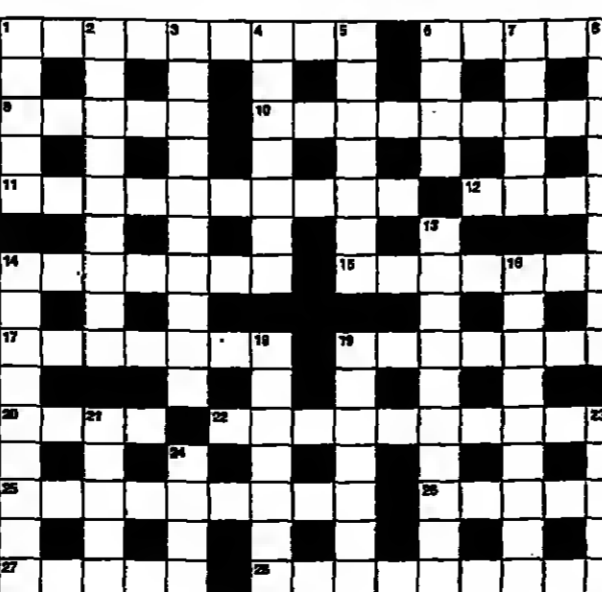
Statistics to be released this week.				Statistics to be released this week.					
Day Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Germany	Jan final cost of living, West*	-	0.3%		US	Dec durable shipments	-	unch
Feb 12	Germany	Jan final cost of living, West**	-	1.5%		US	Feb Philadelphia Fed index	-	-16.5
	Germany	Jan final cost of living, part-Germany**	-	0.3%		US	Dec wholesale trade	-	0.4%
	Germany	Jan final cost of living, part-Germany**	-	1.8%		US	Jan monthly M1	\$5.4bn	\$4.2bn
	UK	Jan producer price index input*	0.1%	0.4%		US	Jan monthly M2	\$16.5bn	\$17.2bn
	UK	Jan producer price index input**	4.4%	5.8%		US	Jan monthly M3	\$20.0bn	\$14.4bn
	UK	Jan producer price index output*	0.5%	0.8%		US	Initial claims w/e Feb 10	375,000	-
	UK	Jan producer price index output**	3.8%	4.3%		Japan	Dec industrial production†	-	0.8%
	UK	Jan PPI ex-food, drink & tobacco**	3.8%	4.3%		Japan	Jan overall wholesale price index*	0.3%	0.0%
	Spain	Dec producer price index*	0.2%	-0.2%		Japan	Jan domestic wholesale price index**	-	-0.7%
Tues	US	4th qtr employ cost index, civilian**	0.7%	0.8%		UK	Jan retail price index*	-0.3%	0.8%
Feb 13	US	4th qtr employ cost index, civilian**	-	2.7%		UK	Jan RPI ex-mortgage int payments**	2.8%	3.0%
	US	Jan Atlanta Fed index	-	-19.8		US	Dec construction spending	-0.5%	0.5% est
	Japan	Dec mach orders ex-power/ships*	1.9%	2.1%		US	Jan industrial production	-0.8%	0.1%
	Japan	Dec mach orders ex-power/ships**	9.5%	10.9%		US	Jan capacity utilisation	61.9%	62.8%
	Spain	Jan consumer price index*	0.7%	0.3%		US	Feb Michigan sentiment prem	-	89.3
Wed	US	Dec export prices	-	-0.2%		US	Nov business inventories	0.2%	-0.7% rev
Feb 14	US	Dec import prices	-	0.2%		UK	Jan public spend'g borrowing req	-£4.5bn	£1.04bn
	Japan	Jan Tokyo dept store sales**	-	-1.7%					
	UK	Jan unemployment	-6,000	-7,900					
	UK	Dec average earnings	3.5%	3.2%					
	UK	Dec unit wages 3-month**	4.0%	4.0%					
Thur	US	Dec factory orders	0.3%	0.5% est					
Feb 15	US	Dec factory inventories	-	0.5% est					
	US	Dec durable orders	0.5%	0.5% est					

ACROSS

- Bound to get away before one's children (9)
- Of clear age but not a wrinkle! (5)
- Lawrence and not a singer (5)
- Text you scroll engineers get from the Bible? (9)
- Just not expensive (10)
- Elegance from which I could benefit (4)
- Loyalist Irishman embraces three people (7)
- Guides cried when turned out on a back street (7)
- Fruit supplier made love to cleaner in some way (7)
- Avoids flights (7)
- Team returns holding live goat (4)
- Something a man may wear during retirement? (10)
- Stress former husband's first to get additional rooms (9)
- I had backed nothing here (5)
- Leaflet of model farm vehicle is returned (5)
- Always immature yet never lacking in popularity (8)

DOWN

- Dismissed ruler is shot (5)
- Devotee cast it adrift, which is incredible (9)
- Full stop put to one US state publication (10)
- Brown isn't prepared to come round for the moment (7)
- Clothes went first in a jumble (7)
- Ready with the rent last time (4)
- After party Hugh goes topless for money (5)
- Drills ruler and cuts away outside (9)
- About a hundred pigs snore badly, requiring treatment (10)
- Well-known pair mention relocation (9)
- Charm engaged in bringing prisoner round (9)
- Determine to imprison one for killing a god (7)
- Two points he can possibly add to (7)
- Divorced with skill reversed a bit more (5)
- The point of growing things? (5)
- At last you can stand one (4)

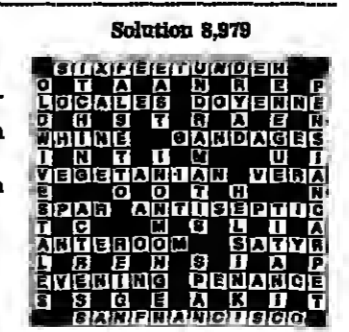


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A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of 250 Pelikan pens will be awarded. Solutions by Thursday February 22, marked Monday Crossword 8,991 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 8UL. Solution on Monday February 26. Please allow 28 days for delivery of prizes.

Name \_\_\_\_\_  
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Winners 8,979  
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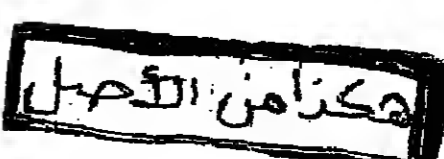
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MANAGEMENT

When managers at East London Bus Company were working on plans for an - ultimately unsuccessful - management buyout of their company in the early 1990s, they used the threat of a takeover by the Stagecoach bus group to impress upon staff the need for cost savings.

Stagecoach, which earlier this month became the first bus company to start running trains on the privatised rail network, has a fearsome reputation in the bus industry for aggressive competition. It also has the dubious honour of having been the subject of more Monopolies and Mergers Commission investigations than any other company.

The company has prospered in the cut-throat climate created by the deregulation of the bus industry outside London in the mid-1980s. Cut-price operators began running clapped-out buses minutes ahead of rival services on the lucrative city centre routes, abandoning evening and weekend services.

With every prospect of Stagecoach becoming a significant operator of train services it could play an important part in determining the shape of both rail and bus services over the next decade. It has acquired South West Trains and announced its intention of bidding for many of the remaining 22 franchises to be sold.

Stagecoach was set up in 1980 by Brian Souter, an accountant and son of a bus conductor, and his sister Ann Gloag. It has grown into Britain's largest bus company with turnover of £240m and 13 per cent of the total market.

A stock market flotation in 1983 provided the Perth-based company with the means of financing a burst of acquisitions, allowing it to spread its tentacles from Inverness to Brighton. Despite Stagecoach's frequent clashes with the competition authorities there is no sign of the spending spree coming to an end. At the end of January it paid £41m for GM Buses South, the south Manchester bus operator.

This rapid expansion has proved controversial, even by the buccaneering standards of the deregulated bus industry. By exploiting a loophole in the regulations, Stagecoach swooped on Darlington, running a free bus service and forcing the town's municipal bus company into liquidation. Smaller bus companies complained to the Commons transport select committee last summer about Stagecoach's bullying tactics.

Souter's response to these criticisms has been that only his competitors and the competition authorities have complained and not his customers, who have been given improved bus services. He points to more modern buses - the company has ordered 1,500 new buses in the last four years - and to more frequent services in many previously poorly served areas.

Stagecoach's aggressive approach makes sound commercial sense, according to Peter Huntley, a bus industry analyst with the TAS Partnership. "Your territory is your principal non-financial asset and the only way to keep control of it is to give the impression you will hold on to it vigorously and aggressively. Stagecoach has done just that."

Just how Stagecoach does operate is demonstrated by the experience of the East London Bus Company which, despite the efforts of its managers, succumbed to a Stagecoach bid in September 1994. Stagecoach also acquired the South East London and Kent bus company (Selkent) as part of the sell-off of the London bus companies.

Many savings had already been made as part of East London's preparations for privatisation - staff, who had previously worked 38 hours a week, were working 42 hours a week for the same wages, and two bus garages had been closed - but Stagecoach pushed for more economies. Two layers of supervisors were taken out at the company's remaining six garages leading to a further 60 job cuts and subsidiary activities such as cleaning were contracted out.

The aggressive bus group could play a key role in determining the future shape of train services, says Charles Batchelor

# Stagecoach moves on to the rails



But what has surprised Roger Bowker, East London's managing director and his three fellow directors, who were all kept on by Stagecoach, was their new owner's willingness to invest. East London had been renting unsuitable offices in the centre of Ilford but was encouraged by Stagecoach to buy smaller, more efficient premises with a small shop front which sells tickets, souvenir T-shirts and mugs, and provides passenger information.

If the buy-out had succeeded it is unlikely that the company would have had the funds to spare for new buses, but Stagecoach has encouraged East London to invest in new vehicles. Twenty-seven new buses were bought last year and a further 26 are on order. Success in bidding for bus routes now depends on being able to offer new buses.

"We started small so we don't have departments to handle matters such as the press or human resources," says Derek Scott, Stagecoach's financial director. Stagecoach's headquarters is a house in Perth with a staff of 30. Ideally a company of Stagecoach's size should only need 10 people in head office, but the company manages its pensions administration and its insurance scheme in-house.

with another nearby Stagecoach company, to reach an optimum size of between £15m-£20m turnover and around 800 buses. "Bigger companies tend to become inefficient while smaller ones cannot spread their overheads far enough," says Scott.

The running costs of new acquisitions are reviewed within the first few weeks. Supply contracts can be renegotiated quite quickly. Stagecoach expects to achieve average savings of 1.5 per cent because of its superior purchasing power on items such as spare parts, tyres and engine components. In the 1980s when Stagecoach was a £5m turnover company it still managed to buy its diesel fuel more cheaply than London Transport, claims Scott. Further savings are achieved by standardising the specification of the new buses.

Stagecoach also has a keen eye for the value of city centre bus depots and office sites. It denies that this is asset-stripping, saying that the proceeds are invested in new bus fleets. It paid £2.2m for the Hampshire Bus company in 1987 but then sold a surplus depot in Southampton and bus operations accounting for 40 per cent of turnover for a total of £4.4m, retaining the profitable 60 per cent of the business.

The Ribbles bus company was making a loss of £200,000 on turnover of £29m when it was bought by Stagecoach in 1989. Stagecoach sold some of its operations in Manchester, shedding £7m of turnover, and moved a further £2m of business into its own Cumbrian company. Ribbles is now making profits of £200,000 on turnover of £19m, says Scott.

With one of the largest costs of a bus company in its wages bill, Stagecoach makes a priority of reorganising wage structures. Traditionally basic rates have been topped up with allowances, which makes payroll management very complex. Stagecoach aims to have a single hourly rate negotiated within individual companies or sometimes garages.

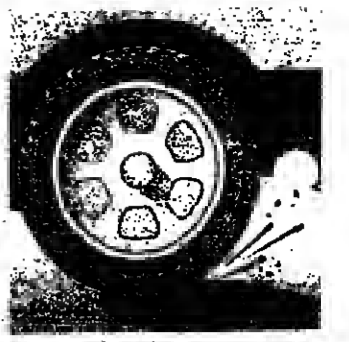
At East London drivers work flexible shifts to increase the amount of the working day they spend driving. "It is not true that we pay less but we do make drivers work a full shift," says Scott. In most companies there is a profit-related element to pay.

After the free-for-all in the unregulated regional bus markets, ownership of two London bus companies has given Stagecoach experience of operating in a more controlled market - experience which could prove valuable with its move into operating rail services. But a problem for a company like Stagecoach is that rail franchisees can only influence 40 per cent of their costs because the track, stations and rolling stock are owned by other companies in the rail industry, one stockbroking analyst points out. This puts the emphasis on reducing the wage bill.

"There will have to be job reductions at South West Trains although it will not be among drivers or people dealing with customers," says Scott. "It is the people who are out of sight whose functions have to be challenged."

"This will not be easy. The rail unions are likely to prove a tougher proposition than unions in the bus industry, where companies such as East London had already negotiated many of the necessary changes. Stagecoach's ambition is to build a network of rail franchises so that, just as on the buses, costs can be shared and best practice spread throughout the group. But this will represent a considerable challenge. The franchises may come cheap - South West Trains cost a nominal £1 - but franchisees are required to put up capital equivalent to 15 per cent of turnover.

And for all Stagecoach's experience in the regulated London bus market, it will have to adjust to the far greater degree of supervision on the railways. The franchising director, the rail regulator and the safety authorities will all have a considerable say in the way the business is run. This may not suit a free spirit like Souter.



## FAST TRACK Elekta

Imagine a day when a surgeon in London will be able to operate on a patient in Kuala Lumpur, helped by a consultant in Moscow. The stuff of science fiction? Not if groups like Elekta have anything to do with it. The Swedish group is at the forefront of efforts to make robotic surgery a reality in a few years' time.

Elekta belongs to one of the most exciting spheres of the Swedish corporate firmament - the medical equipment sector. Its record of organic growth, readily stands comparison with that of its peers. Turnover has risen steadily from SKr201m (£18.7m) five years ago to SKr696m in the year to April 1995. Pre-tax profits over the same period have jumped from SKr23m to SKr86m.

The group's best-known product, and the foundation of its early success, is the Leksell Gamma Knife. This device uses precisely targeted, high-dose radiation to treat tumours and other disorders deep inside the brain, often beyond the reach of conventional surgery. The precision and level of concentration differs from normal radiation treatment, says the company, and means diseased cells can be eradicated without damaging surrounding healthy tissue. A big advantage is that a hole does not have to be bored into the skull.

Laurent Leksell, Elekta president, says the treatment is less traumatic than conventional surgery and hospital stays and convalescence periods are shorter.

But he acknowledges that the machines - costing \$3m (£2m) each - represent a sizeable investment. And he accepts that some surgeons still have some reservations about the gamma knife methodology. Despite this, sales of gamma knives have grown, helping to give Elekta a worldwide business reach in a remarkably short time. The group is active in around 60 countries, with the US and Asia the most important markets. Apart from the gamma knife, which accounts for 60 per cent of revenues, Elekta specialises in stereotaxis (a system of fixed co-ordinates that enables a surgeon to identify a point in the brain and then reach it), surgical instruments and image guidance systems.

Leksell is the son of the group's founder, the late Lars Leksell, who started the group in 1972. Voting control remains with the family, although the group has been listed on the Stockholm Stock Exchange since 1993.

Leksell says the company will stress organic growth, backed by extensive collaborations with universities and other companies. Work on different image guidance tools, for example, has been developed together with Canada's ISG Technologies and the French group Declid.

The emphasis will remain on the brain and the central nervous system. Future growth will come not just from new products and new markets, says Leksell, but also from new applications for existing products. Indeed he hopes that one day the gamma knife can play a role in helping to eliminate disorders such as epilepsy, the cause of which is today invisible to traditional X-rays. "Think of the gamma knife as a rifle," he says. "The better the binoculars we have the more accurately and effectively we can use it."

Christopher Brown-Humes

# Dressing up and dressing gown

As a newly fledged early bird, I have yet to grow used to starting work before dawn in my home office while the backyard coyotes are still yip-yipping in pursuit of gopher-snacks.

As may be imagined, I am often to be found hunched over this damned keyboard in pyjamas or less. All the more comforting, then, to bear that the relaxation of office dress codes is proceeding apace in the US. San Francisco's Levi Strauss has come up with the riveting revelation that dress-down Friday has evolved into an everyday affair at 33 per cent of all US companies.

In 1992, when 20 per cent of companies allowed casual dress at all times, 37 per cent were sticking strictly to the suit, tie, skirt and blouse convention. That figure has now slid to 10 per cent.

Extrapolating on the gleanings from a phone poll of 604 human resource managers (why not 607? the world's biggest apparel com-

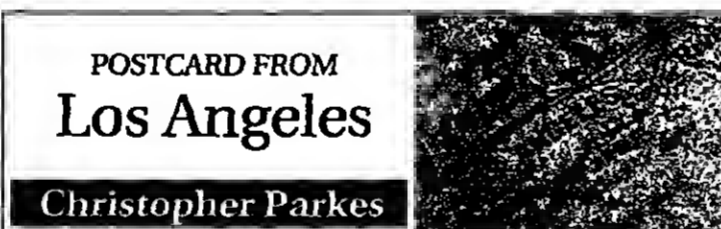
pany has come up with the prospect that by the end of the decade, half of corporate America will be sloping around the office and plant in "casual businesswear".

Levi Strauss's discovery of a whole new market segment has so excited its marketing people that they have lost their command of the English language. "This growth would represent an additional 28m wearing occasions for casual clothing every week," it says.

Reported merits include the alleged perception among job-seekers that relaxed dress codes count as a perk, and managements' view that jeans and tennis shoes make for improved productivity.

For the record, women seem more restrained than men, who tend to favour khaki pants worn with polo shirts and leather shoes. Not a mention of pyjamas, but watch this space.

To experience the relaxer-vous revo-



lution at its known limits, a trip with no-frills Southwest Airlines is recommended. Its ground personnel, clad in a mixture of crumpled shorts, baggy trousers and faded beige polo shirts may be a rag-bag, but they certainly put a brave face on the travails of the regional specialists.

I encountered Fern, a gabby cabin person of a certain age, on a recent hop from Phoenix to LAX. Her devotion to communication - to my mind the most necessary skill in flight - impressed.

"If my ex-husband and his new lover would care to settle down at the back..." she announced to a

reverse thrust, a clear, I'm-in-charge pilot's voice twanged over the cockpit intercom: "Whoooooo there, big boy!" I sneaked a look on the way out. He was wearing a uniform, cap and all, just like a Los Angeles bus driver.

One of the less-appreciated tendencies among southern Californians is a devotion to work far more pronounced than many other Americans are prepared to admit. Life in Lalandia may be lived very much on the move, but it is not all lotus-to-go. This is the city where the concept of the car as an extension of the home was born and has spawned car accessories to facilitate eating and, increasingly, working on the go. Multiple power points routinely power all sorts of small appliances: even lap-top computers.

I am grateful to a local newspaper correspondent for confirming that my recent sighting of a sedan

driven by a man simultaneously engaged in typing was not a one-off. "I was almost sideswiped by some doofus in a Honda pecking away at a laptop perched on his steering wheel," he writes.

At least in southern California, changing dress habits may stem in part from the almost obsessive, practically constant indulgence in physical recreation in search of what my local gym promotes as "buns of steel".

(It is not uncommon to observe women, striding about their business making exaggerated arm and hip movements, muttering the mantra: "I must improve my bust.") As a result, variants on all forms of track, field, gymnasium and even swimwear are now acceptable street clothing for every age group. Former "casual" gear looks positively smart, and the suits and skirts of yesteryear are more and more the exclusive preserve of hotel staff... and contrary teenagers.



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BUSINESS EDUCATION

As students consider which MBA course to study, Della Bradshaw examines how to make a choice

Money clarifies masters maze

The most sought-after qualification in business education is undoubtedly the master of business administration. But a surge in demand for MBAs has resulted in a myriad of courses and many a confused, would-be student unable to decide which to choose.

Thousands of students preparing for autumn courses are now faced with the question: Which is the best course for me? At the end of the day it is hard to escape the fact that the deciding factor is money.

"The first question is 'Are you rich?' If the answer is 'yes' you should shoot for only two schools," believes David Norton, director of the management school at Imperial College London. Those two are Stanford and Harvard, both two-year courses in the US, because they have the "best alumni leverage and brand names".

But you need to be seriously rich. Two years of course fees, living expenses and the cost of not being employed will cost more than \$100,000.

your choice - or that of your employers if they pay the fees - most advisers agree on some basic guidelines.

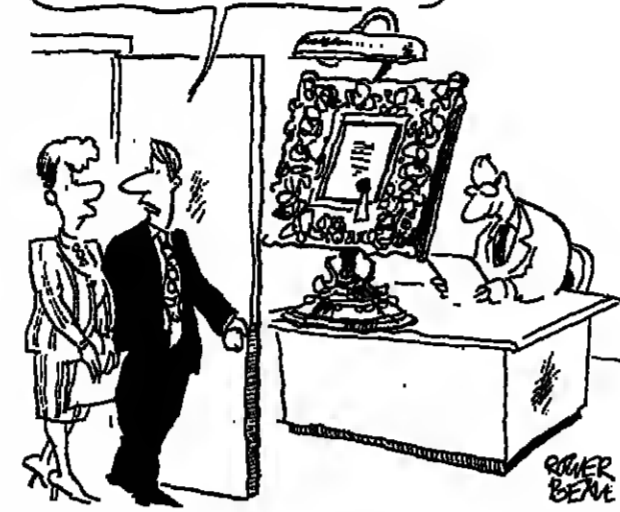
Look at the quality and reputation of the school. In the US, where league tables are a way of life, rankings are one way to do this. In the UK the Higher Education Funding Council for England has gone some way to rank schools by awarding them grades for their teaching.

The UK also has a system of accreditation implemented by the Association of MBAs (Amba). Only one third of UK MBA courses pass Amba scrutiny - from 31 institutions in all - but they include the best of full-time, part-time, and distance learning courses and are nationwide. In the US the American Assembly of Collegiate Schools of Business accredits courses but in Europe schools tend to thrive on reputation rather than accreditation.

After studying the school you should study the programme, says Bob Morgan, head of business strategy at the University of North London. "There seems to be some notion that there is a standard programme. I think that's somewhat old-fashioned."

He recommends that students should ask themselves whether they want a course which will give them skills in general management or a specialist function. Some MBAs are tailored for specific professions - designers, marketing people or those from financial services.

FOR HEAVEN'S SAKE TRY AND KEEP OFF THE SUBJECT OF HIS MBA



With 80 per cent of students in the UK now opting to study while working, there are part-time courses which require regular attendance for lectures - often once a week or over the weekend. Or there are open learning programmes which often require students to attend once a month, while studying largely at home. Distance learning programmes are largely correspondence courses, although they will require some attendance - particularly at exam time.

Some students with the time and the money - and co-operative employers - even travel overseas to study on part-time courses.

Staying abroad can have drawbacks as well as benefits. As an academic joke, you should only study in a country in which you may one day want to work.

"When your company wants to expand overseas the personnel department will look through their files for someone to send there. You'll be picked out and on the next plane back!"

Suggested reading: The ABS Directory of Business Schools (Butterworth Heinemann); The Amba Guide to Business Schools (FT Pitman Publishing); The MBA Career Guide (MBA Career Guide); Which MBA? (Addison-Wesley Publishing).

You could also use the opportunity of studying abroad to learn a new language. "At the moment Mandarin is very much in demand," reports Wilhelm Brunner of the Vienna Economic and Business University.

The next move should be to visit the campus during term-time, even if the campus is overseas. Go to one of the open evenings that the business schools hold and then sit in on one of the classes.

You should talk to the academics, but more importantly you should talk to the students. Particularly if you are planning to work and study simultaneously, practising students will provide the best guide to the workload.

And you should assess the culture of the school, says Morgan. Is the atmosphere competitive or co-operative, and which do you thrive in?

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NEWS FROM CAMPUS

Baubles, bangles and bright, shiny degrees

If your ambition in life is to slip into sophisticated clothes, drive a powerful car and sip expensive champagne then the course for you could be the MBA programme specialising in luxury brand management in Paris - where else?

The 12-month course from the Essec Graduate School of Management has been designed in conjunction with companies such as jewellers Cartier, champagne producers Moët et Chandon and a host of fragrance companies.

The companies themselves participate in the project work of the 20 students on the course.

Essec, France, 1 34 43 30 23

studied on a full-time or part-time basis. Umist: UK, (0)1862 200 4216.

Civil rights leader honoured at Wharton

Civil rights leader Whitney M Young has become the first African-American to be a faculty position named in his honour. The junior professorship at the Wharton school at the University of Pennsylvania has been created as a result of fundraising by alumni and students and corporate and charity donations.

Wharton: US, 215 898 3000.

Seedcorn software companies vulnerable

The UK's software industry has improved in performance but bankruptcies in the industry remain four times the national average, according to the latest research from Templeton College, Oxford. Sales by British companies rose 6.1 per cent in 1994 after dipping disastrously in the early 1990s and companies in the sector have increased staff. Nevertheless, small software firms remain vulnerable.

Templeton: UK, (0)1865 732 222.

Managing to make money from property

British business schools are emulating their American peers by introducing an increasing number of masters courses which specialise in a specific topic.

The latest is Umist, in Manchester, which has launched an MSc in property investment and development. The one-year course can be

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FEBRUARY 27 City Regulation The Financial Services Act After Ten Years features such authorities as Mrs Angela Knight of the Treasury, Stuart Bell of the Labour Party, John Pender and Andrew Winkler. Sponsors: KPMG, Clifford Chance, CSF and London Capital & Finance. Information from: Cityforum Ltd. Tel: 01225 466744 Fax: 01225 442903 LONDON

MARCH 5 & 6 Introduction to Money Markets & Foreign Exchange (Front Office) For those involved in corporate banking or treasury personnel. Covering: The FX Market \* Market Influences \* Spot Exchange Arithmetic \* Spot Foreign Exchange \* Forward Foreign Exchange \* Money Market Formulas \* Money Market Risks \* Off Balance Sheet Products. 5425 + VAT 2 days. Contact: TPL/Nicola Blackman Tel: 0171 606 0084/600 2123 Fax: 0171 600 3751 LONDON

FEBRUARY 19 FT London Motor Conference This month FT Conference will consider how the European motor industry is preparing for the 21st century. Developments in multi-franchising, opportunities in the European aftermarket and the impact on the sector of innovation in IT will be among the topics to be discussed. Enquiries: FT Conferences. Tel: 0171 896 2626 Fax: 0171 896 2697 LONDON

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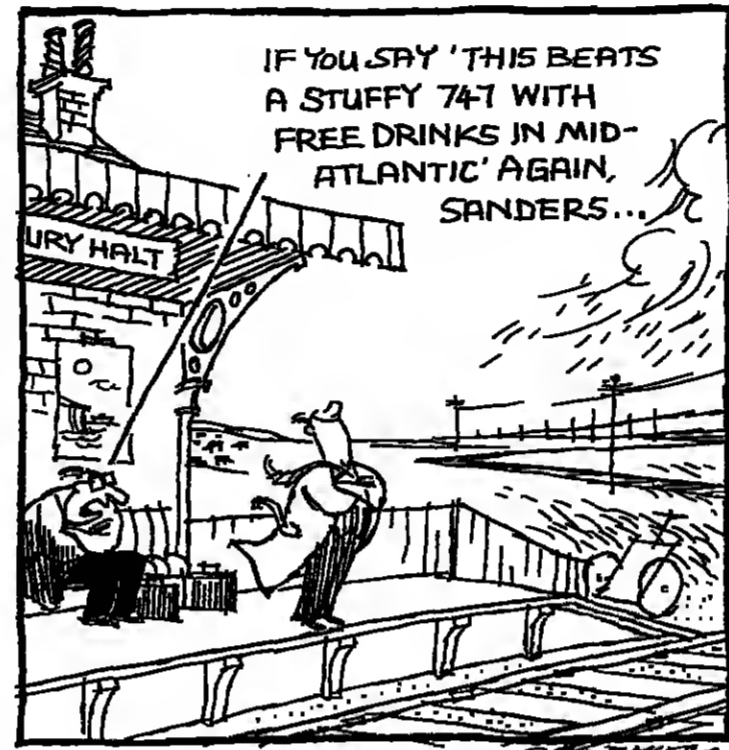
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# V-chip to block the TV nasties

### A law on censorship of traditional and electronic media in the US is encountering opposition, says Louise Kehoe

The "V-chip" - a device that can be used to block the reception of sexually explicit or violent television programmes - must in future be installed in all TV sets sold in the US, under a law signed by President Bill Clinton last week.

The "electronic censor" is at the heart of heated debate between civil libertarians and those who believe that sex and violence on TV encourages teenage pregnancies and juvenile crime.

The measure to make the V-chip mandatory, as well as other provisions that make it illegal to distribute "indecent" material over the Internet and other computer networks, was appended to telecommunications legislation aimed primarily at deregulating the US market for telephone and cable television services.

The "anti-smut" measures won broad political support amid rising public concerns about TV violence and pornography on the Internet. Yet the spectre of government-regulated censorship of traditional and electronic media is encountering growing opposition.

Already, the American Civil Liberties Union has filed legal challenges to the Internet restrictions, which would slash fines of up to \$250,000 and jail terms of up to two years on anyone found guilty of distributing "indecent" materials on the Internet that could be accessed by anyone under the age of 18.

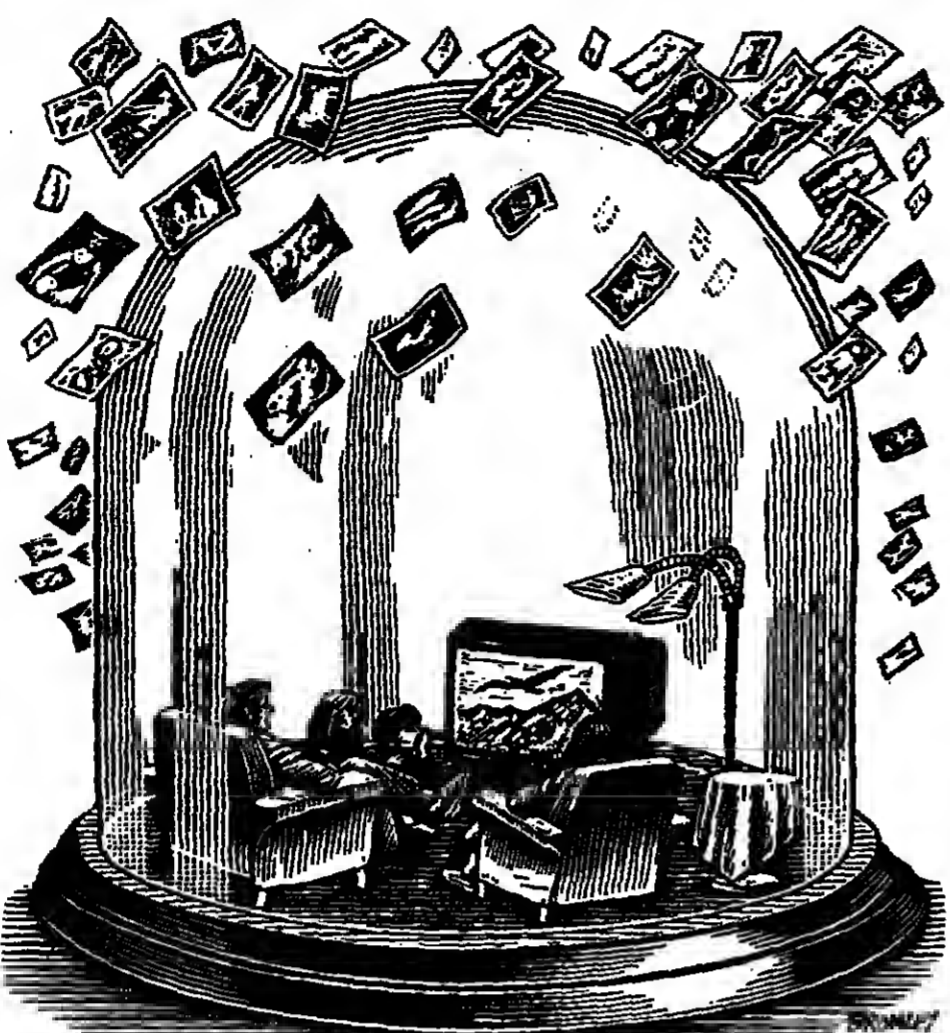
At the weekend, much of the Internet's World Wide Web was blacked out in a protest at the new law. The protest was mounted by Internet-oriented companies such as Netscape, and by libertarian groups and individuals.

The cyberporn law is an unconstitutional restriction on free speech, the ACLU charges. Although the law purports to protect minors, it will in effect place severe restrictions on all users of the Internet, the group maintains.

For example, critics say the law would prevent online display of famous works of art such as the roof of the Sistine Chapel, electronic publication of books including the King James Bible, and use of the Internet to disseminate information about AIDS or breast cancer. It is already a crime, free-speech advocates say, to use crude words in an electronic mail message sent over the Internet.

Yet in many ways the new legislation simply extends existing "decency" laws to cyberspace. It has long been a federal offence, for example, to use obscene language on the telephone, although the law is rarely enforced.

One significant difference in the new law, however, is that companies which provide Internet access services as well as commercial online information services, may now be held liable for the distribution of



the air or via cable - to the V-chip in TV sets. Viewers could, if they wish, activate the chip to block all programmes they deem unsuitable for children.

TV suppliers would still be free to produce and transmit programmes of their choice; they would simply have to label them, as the film industry does with its ratings system.

How will the rating system work? And what kind of violence will be censored? The ACLU asks. Football games, war movies, news reports? This is not a voluntary system. The legislation stipulates that if the TV industry fails to create an effective rating system, the Federal Communications Commission will take on the role of TV censor.

US TV companies have so far proved reticent on the issue of the V-chip. The industry has generally been opposed to a government-mandated rating system, although there had been efforts under way to create a voluntary rating system and plans to test-market V-chip systems.

These efforts have proved too little, too late. In Canada, where the idea of the V-chip originated, several cable TV companies are already offering V-chips to their subscribers.

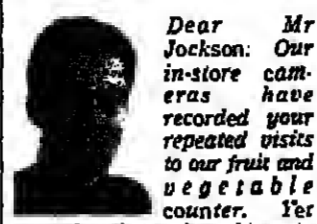
With the V-chip law now in place, US TV networks and cable companies are under pressure to respond, but it is not yet clear whether they will raise legal challenges to the new law. The industry risks a backlash of public opinion if it opposes the law, but fears the loss of advertising revenues on "X-rated" programmes if it complies, industry analysts say.

However, it is not clear that the V-chip legislation will achieve the goals of its supporters by limiting TV sex and violence. Critics of the legislation say that it may give TV companies an excuse to broadcast more racy or violent programmes once the rating system is in place.

Whether or not there are legal challenges to delay implementation of the V-chip law, it is likely to be many years before "clean TV" is widely available, because it will require the replacement of millions of TV sets and cable TV decoder boxes.

Tim Jackson

# This bug in your PC is a smart cookie



Dear Mr Jackson: Our in-store cameras have recorded your repeated visits to our fruit and vegetable counter. Yet even though you buy things in other departments - I hope last month's kid gloves came in handy during the cold snap! - we see that you have never bought fresh produce from us.

Three times last week, you stood in front of the fresh mangoes, but never took the plunge. So I'm writing to let you know about our upcoming special offer on tropical fruit.

As far as I know, no shopper has ever received such a letter. Camera technology is many years from being able to follow a single person around a department store, let alone tally that person's movements against sales records.

Yet these methods of keeping tabs on the behaviour of customers are possible today in cyberspace. Technology is already in place - and ready to be put to use on the World Wide Web of the Internet - that will allow Web site owners to gather an alarming range of information on the people who look at their Web pages from PCs at home.

Most Internet users are not aware that such possibilities exist. They believe, correctly, that when they surf the Web, the information sent from their PC to the Web site is an IP address - a string of digits that specify the Internet location of the computer they are logging in from. Tracking down the customer from that information alone is an inexact science, since a single IP address can be shared by hundreds of people working at a company, or thousands of people using an online service.

But the leading software used on the Web contains a little-known wrinkle that increases the power of companies to find out who their customers are and what they are up to. It allows companies to track which Web pages an individual looks at, when, for how

long, and in what order. That information can be tallied against information the customer provides of his own free will - for instance, when he "registers" for membership by giving a name and e-mail address, or provides a credit card number and a address when ordering a delivery - to produce a comprehensive record of individual behaviour.

Most extraordinary of all, this information can be stored on customers' own PCs without their knowledge. It can be kept in a form so that only the company that collected the information can benefit from it. And when the customer connects to the Web site later, the site can silently interrogate his PC and pick up the information.

The formal name for the objects where the information is stored is "persistent client state hypertext transfer protocol cookies". Those who dismiss this as an early April Fool joke can find the specification describing the cookies by using the search engine on Netscape Communications' home page.

A technical note written in July 1995 describes the specification as preliminary, and warns users to treat it with caution. But the facility has been fully operational on Netscape browser software since version 1.2.

Each cookie, or nugget of information, can be up to four kilobytes and each server is allowed to deposit 20 cookies on every client computer. The total of 80 kilobytes that this represents is roughly equivalent to 18 articles the length of this one. But this limit can be circumvented by the simple device of having a number of different servers inside the company. As a result, a company can theoretically store 1.2 megabytes of information - twice the length of *Persuasion* - on each customer PC.

As a group, those who inhabit the online world tend to be watchful of their privacy. When they became aware last year that MSN, Microsoft's online service, was able to download a list of programs on customers' PCs as they logged

in from home or work, there was such a fuss that the company was forced into a hasty damage-control exercise to reassure the world that its intentions were honourable.

Client-state cookies are in a slightly different category. They do not allow one company to snoop on another, and they gather only information about consumers' behaviour at a single company's Web site, or information that customers themselves volunteer.

But many PC users may take a dim view of Netscape's failure to draw their attention to the fact that their behaviour may be tracked in this way. Moreover, there appears to be only one way to disable the facility: by manually amending or deleting the *COOKIE.TXT* file containing all the cookies.

Netscape describes the system as "a powerful new tool which enables a host of new types of applications to be written for Web-based environments", and of course the company is right. Cookies allow customers to do repeat business with companies without having to retype their details. There are plenty of other very useful purposes to which the cookies could be put in future.

Yet the tale of these cookies is an illustration of the possibilities that Internet marketing opens up. In the old days, placing an advertisement was like firing a blunderbuss: remember the old quip that half the money spent on advertising was wasted, but that no-one knew which half. Today, technology has created silver bullets that allow companies to target people individually.

In the long term, this is a good thing, for it will tailor advertising more closely to what consumers want. But at stake is the issue of privacy which needs to be debated.

The only consolation is that breaches of privacy using this technology are unlikely to have any life-and-death consequences. The worst thing most companies will do, after all, is try to sell you something.

Tim Jackson can be reached at [Tim.Jackson@pobox.com](mailto:Tim.Jackson@pobox.com)

Already, the American Civil Liberties Union has filed legal challenges to the Internet restrictions, which would slash fines of up to \$250,000 and jail terms of up to two years on anyone found guilty of distributing "indecent" materials on the Internet that could be accessed by anyone under the age of 18.

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Yet in many ways the new legislation simply extends existing "decency" laws to cyberspace. It has long been a federal offence, for example, to use obscene language on the telephone, although the law is rarely enforced.

One significant difference in the new law, however, is that companies which provide Internet access services as well as commercial online information services, may now be held liable for the distribution of

"indecent" material on their networks.

To protect themselves from legal liability, these companies may now be forced to police bulletin boards and Internet pages in search of anything that might be considered offensive.

Even Vice-President Al Gore, the Clinton administration's chief advocate of telecommunications reform legislation, appears to have reservations about the new cyberporn law. "We have agreed to let it stand or fall according to the judgment of the courts," he said last week.

Other methods of screening out pornography on the Internet are already available. Gore noted. These include software that automatically blocks access to X-rated Internet sites and services that "rate" Internet sites according to their suitability for young computer users.

The Clinton administration has no such qualms, however, about the V-chip legislation, which it believes will enable parents to prevent their children seeing inappropriate programmes.

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# Sex, lies and the Internet

### Victoria Griffith finds cyberspace socialising is on the increase

At the beginning of this month the US media pledged when John Goydan became the first person to cite his spouse's online affair with a paramour named The Weasel as grounds for divorce.

The story, while amusing, has disturbing implications, because the Internet has become a powerful social influence in today's society.

Indeed, the psychological impact of the Internet has not been fully digested, according to Sherry Turkle, a psychology professor at the Massachusetts Institute of Technology. "The adultery case seems funny, but it illustrates a dramatic social change," she says. "Cyberspace is changing the way people relate to each other, and that has tremendous implications."

Turkle has just written a book on the subject called *The Second Self*, based on hundreds of psychoanalytic interviews with cybersurfers. For Net users, there is no clear definition between spaces in which people are playing roles and spaces in which people are truly socialising, she says. The Net is a weak and perilous game to play, but it is a game that is changing the way people relate to each other, and that has tremendous implications.

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Net users cannot even be sure they are talking to a real person - increasingly machines are used to do the talking, Turkle says. As an example, she cites cybersurfers' interaction with "bots", characters that are programmed to behave in certain ways on the Net. Bots work by recognising certain words and churning out automatic responses. A primitive bot programme might respond to the statement "I am sad today" with "Why are you sad today?"

But Julia, the creation of Michael Mauldin of Carnegie Mellon University and one of the most sophisticated bots on the Net, fools many into thinking she is human, turning out many clever responses. Consider the following typed Internet exchange:

User Brandi: Brandi bites Julia.  
Bot Julia: Julia shuns all women like Brandi.

Turkle says she was particularly surprised to find in her research that Internet users were willing to talk to characters programmed to consult a computerised psychoanalyst, even though the programme's responses were inappropriate. In one exchange Roger told the computer: "My wife does not make me feel loved". The computer responded: "It must be nice to be so loved." Roger continued to consult the programme because he found the exchanges helped him deal with his problems, Turkle says.

She believes that the next generation

will spend even more time socialising with computers, and recalls a case of children arguing about whether Merlin, the computer toy they were playing, could "cheat". "They were attributing human characteristics to the computer," Turkle says.

She believes cyberspace can have a positive as well as a negative influence on its users - citing, for example, patients who have used role playing to overcome fears. "One man was terribly shy in person, yet online he was popular and outgoing. Eventually, his social life on the Internet began to give him more confidence in his face to face encounters."

Turkle dismisses criticisms that the Internet can be addictive and says the amount of time spent on the Net does not determine whether someone is having a positive or negative experience.

"I know people who spend all day on the telephone, but they are not considered telephone addicts," she says. She also believes that adult cybersex on the Net can be helpful, as long as the rules are clear on what is fantasy and what is reality. She says people may find the Net disturbing and exaggerate its benefits and shortcomings because they have so little experience in dealing with it.

She is also concerned about US efforts to give public schools access to the Net and about hype over pornography.

"The Internet can't save our children's education," she says. "It's neither saviour nor demon. It all depends on how it's used."

She is optimistic, though, that society will develop a healthier view of the Net. "People will start to follow certain rules of social conduct, and then the Net will just be considered another tool for interaction. But it may take a while to come to grips with its impact."

### Cyber sightings

- The Swiss Investment Marketplace ([www.iml.ch/iml/](http://www.iml.ch/iml/)) has some good information for private investors, even if its sole function seems to be to make you feel guilty for not hedging your entire portfolio in Swiss francs.
- Fundscape (<http://fundscope.com/>) is a commercial service offering investors the chance to track the performance of mutual funds. Interesting stuff.
- Hard@Work ([www.hardatwork.com/](http://www.hardatwork.com/)) describes itself as an "online water cooler" dedicated to exploring issues around the modern corporation. "The information headquarters for anyone who wants to do a better job," it

says. That's assuming you have time to read it, of course.

- El Tiempo, one of the leading newspapers in Colombia ([www.eltiempo.com/](http://www.eltiempo.com/)) has put up a nicely laid out site in Spanish.
- The Israeli Investor Network ([www.god.com/fin/](http://www.god.com/fin/)) has a company listings and an online version of American-Israel Business Magazine and the Giza Investment Letter. Might be useful if you're doing business in the region. Meanwhile, the Mizrahi Bank ([www.mizrahi.co.il/](http://www.mizrahi.co.il/)) has a site in Hebrew with information on Israeli capital markets.
- The Center for the Study of Central Banks at New York University's law school runs Central Bank Bulletin, a mailing list focusing on the activities of central banks around the world. To subscribe, send the following message (in the body, not the header): subscribe central-banks [your first name] [your last name] to the following e-mail address: [lstproc@isis.nyu.edu](mailto:lstproc@isis.nyu.edu)
- The top 10 financial services Web sites of 1995 are available through Net Banker ([www.netbanker.com/](http://www.netbanker.com/)), the Internet supplement to *Online Banking Report*.
- An interesting list, and well summarised.
- A site that advertises itself by saying it "includes photos and many links to other alpacas and llama sites" has to be worth a look, no? Ah well. (<http://home.earthlink.net/~kmtle/jr.htm>)
- The American Marketing Association's Web site ([www.ama.org/iam/](http://www.ama.org/iam/)) is well worth a browse for a steer on the latest trends in marketing strategy. You can join the association or just read a sample issue of *Marketing News Online*, the members' journal.
- Texas A&M University's college of business administration and graduate school of business (<http://mba.grad.tamu.edu/>) will be happy to give prospective students details of courses at its straightforward site.
- Finally, for US residents, if you're pinning for Caramel deLites or Lemon Pastry Creams, look no further. It's Girl Scout Cookie time again, and you can order through <http://cookies.openmarket.com/GS.htm>

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## ARCHITECTURE / SPORT

## Standing up for Bellini

The man who is building the highest tower in Moscow and masterminding the biggest post-war building project in Milan is in London. He brings with him a quality of building that is purely Italian, a certain instinct for quality.

Mario Bellini is 60 but his achievements are such that it seems he has been around for much longer. Although he is an architect, he was best known for a long time as the designer for the office machines of Olivetti: creator of that refined look for the business machine that preceded the now ubiquitous Japanese, efficient anonymity.

Contemporary Italian architecture is so much better than most because the best Italian architects and designers (even the designers of clothes) have complete respect for the remarkable past of their country. This appreciation of the glories around them does not have the effect of an insurance policy in Britain, of encouraging poor copies of past styles that are weak, safe and often illiterate.

In Italy, architects like Bellini, Portoghesi, Butta and Autenti are all producing unique and splendid new buildings. Bellini has achieved his

## Colin Amery on an architect who could make a motorway service station memorable

reputation as much outside Italy as within, and he has the added distinction of being a great exhibition designer. He created one of the finest architectural exhibitions, *The Renaissance from Brunelleschi to Michelangelo - The Representation of Architecture*, which began in the Palazzo Grassi in Venice in 1994 and went last year to Paris and Berlin.

Bellini's achievement was not just to make the great renaissance models look beautiful and dramatic, but to explain how architectural ideas move from drawings to buildings.

At the Royal Institute of British Architects a stunning exhibition of Bellini's work runs until the end of April. The show is designed by Bellini and the display technique is partly based on the renaissance exhibition and is dramatically lit.

Sixteen large models, at exactly the right height, dominate the room, and giant slides continuously change to give a

clear sense of the work. But how much better it would have been to be able to sit, relax and contemplate these images. Was it old architectural arrogance that refused to allow chairs?

The Bellini buildings I know best are the Tokyo design centre and the Villa Erba International congress and exhibition centre at Cervinabio on Lake Como. Both create what another critic has called urban islands. The Tokyo centre was finished in 1992 and embraces the major principles of this architect's work.

It stands in the wildy chaotic Sakurada Dori district, where it acts as a beacon of order and restraint. The architect had to cope with the steep topography of this part of Tokyo, and to build around an existing building whose owner would not sell. These challenges forced the design to be intricate and visually exciting.

Bellini has brought to Tokyo the idea of a plain street front of an Italian palazzo with an internal steep stair and a rear courtyard that is almost sur-

real in its silence and space.

At the top of the steep staircase that lures you in from the street is an equestrian sculpture by Mimmo Paladino. This splendid tall horse is seen between pierced travertine walls against a background of trees. The back of the building is a series of terraces entwined by row upon row of huge flowerpots filled with scarlet geraniums.

Tokyo is full of some of the best work of contemporary architects of all countries. Bellini's intricate, careful and original design is exactly what changing cities need.

In Italy, Bellini's exhibition centre in the grounds of the Villa Erba is a remarkable synthesis of past and present. In plan, the three wings radiating from the circular central building are similar to the ensembles of garden buildings to be seen at Potsdam, or around the more remote palaces of St Petersburg.

But the chief thing that has influenced his design is the proximity of the lake and the curved lines of trees. The central pavilion is itself set on water - a conceit that works well.

These two gems of Bellini's work are about to be joined by the extensive, 800m-long, new



In the hands of Bellini, drama and emotional power are achieved in the new exhibition buildings for the Milan trade fair

exhibition buildings for the Milan trade fair. It is a massive formal scheme that sensibly incorporates car parking in the planning and stupendous planting of pyramid-shaped hornbeam trees. The great skeletal portico that marks the north-western end of the new building is splendidly scaled and likely to become

the new symbol of the Milan fair.

In a city where design and fashion fairs influence the whole world, this is an important new structure. Inevitably, it has millennial overtones, and appears to elevate the Greek temple to material heights to which it never aspired. I would have thought

it almost impossible to give some of the late 20th century uses of buildings any emotional impact. The international trade fair, the Japanese leisure park, the new hotel for Moscow - in Bellini's hands, all have achieved drama and emotional power. I do not know of another architect who could make a

motorway service station into a memorable architectural experience. It takes an Italian, and it takes Bellini.

*The Bellini expo is chiefly sponsored by Fiera Milano, Silicon Graphics, At-Rostrament Group, Smag and Ouliant Architecture Centre, 66 Portland Place, London W1.*



A bristly man, A.C. Smith. His luxuriant eye-brows bristle a splendid head of iron-grey hair seems to have a life of its own. Some cricket writers have found him spiky. The wonderful phrase "No comment... but don't quote me" is often ascribed to Smith, who is retiring as chief executive of the Test and County Cricket Board. But he shrugs it off as spurious.

Christopher Martin Jenkins, doyen of English cricket writers, described him to a valditory newspaper article as having "a paranoia about secrecy". Smith snorts when asked if that was fair comment.

"CMJ? A very kind piece in most respects," he chuckles, conceding that, in his early years as operational head of the English game, he was too distant and impatient with the media.

After spending most of an

## Legacy of cricket's bristling reformer

A.C. Smith, padding up for the last time, talks to Keith Wheatley

afternoon with Smith at his Lord's HQ in London, it was hard not to be impressed by the subtlety, discretion and diplomacy required to lead this most federal of games, for cricket, whether domestic or international, will not be ordered from on high. It has no equivalent to Fifa or the IAAF.

To a certain extent, lack of such a structure underlies the difficulties of cricket's World Cup, which opens this week in India, Pakistan and Sri Lanka. Three years ago, Smith presented the International Cricket Council with an unanswerable case for it to be held in England, Australia, New Zealand, the West Indies and South Africa were in favour and the decision appeared to be in the bag until the Indo-Pakistan hiders started to lobby Zimbabwe and the non-Test countries.

Smith still bristles when he recalls the 18 hours of horse trading at Lord's which led, indirectly, to the current imbroglio with Australia and the West Indies refusing, on security grounds, to play matches in Sri Lanka following the bomb blast in Colombo.

The price of England's manoeuvre in 1983 was a fairly radical overhaul of the ICC, and that should begin to bear fruit by the time of the next World Cup, to be held in England.

Domestically, Smith leaves with the game in impressively better shape than when he arrived. A decade ago, big clubs like Warwickshire, where Smith had been captain were healthy enough, but at the margin the outlook was grim. "Crowds are up, revenues up [and] we have blue-chip spon-

sors who seem happy to stay with us for the long haul," he says. This year the TCCB will distribute £21m to the counties and grass-roots game in Britain. When he arrived, the comparable figure was just over £4m.

Television has made the difference. Cricket shares itself skilfully between terrestrial and satellite channels. Indeed, the sports television rights debate turns Smith's bristles to prickles, producing un diplomatic words like "aggrieved" and "annoyed" over the House of Lords amendment to extend so-called protection of certain events from subscription and pay-per-view channels.

"Since competition has appeared, television has been good to us. We're friendly enough with the BBC but the

relationship is much more healthy since they realised market forces had to apply."

It ruffles that a man who has devoted his life to playing or administering cricket should be told by politicians he needs protecting from the temptation to sell the game's devoted audience down the river for a few extra millions.

"We have optimised rather than maximised our assets. We perhaps could have got more but we have sold them carefully. In one sense, it isn't very efficient to have our international cricket at six Test grounds but we like to provide cricket to its public. The game belongs to the community."

What, then, underlies the disquiet at Westminster? "It's election year, for heaven's sake," soorts Smith, perhaps

foreshortening the political timetable. "We're spending an enormous amount of time and money lobbying on this and thinking much more long-term than most politicians."

After our meeting Smith went off to sign letters to 120 MPs known to be interested in cricket. One in particular, with an office in Downing Street, was due a personal visit.

Besides the World Cup, the other notable setback for Smith was the reluctance of the counties towards accepting an umbrella body for the whole sport. By now, the TCCB should have become the English Cricket Board, with responsibility for every aspect of the game.

Last summer, Smith's impeccably well-researched plan for this transition seemed to

reflect a consensus among the autonomous counties. Yet at their October summit, it was despatched to the limbo of a working party.

Smith says: "I think once the counties got their solicitors reading the new constitutions, the enormity of it all just hit them very hard." But he claims not to be despondent over the stalling of his reforms.

To an outsider, it seems the major counties in particular wish to remain that curious English hybrid, a limited company and yet a private members' club. But Smith insists that change is inevitable. "We will have an English cricket board - whatever it is ultimately called. Everyone outside cricket can see the need to deal with just one governing body, and we have to respond."

What really causes Smith chagrin on the eve of his last

season is the poor performance of the England team. "It's not just a bad patch," he insists. "I don't think we have the environment that allows the best players to develop their full potential. Quite simply, they all play too much in the English season."

But Smith has great faith in England's captain, Mike Atherton. "He's young, stubborn and cussed, and I hope he's around for a long time. I'd be thrilled for him if we could unearth a Botham or a Truman - preferably both - who could give the England attack a cutting edge."

A.C. Smith was captain of Oxford when the Nawah of Pataudi was in the side and the universities could still expect to win half a dozen matches against the county teams, and then a successful Warwickshire and England player.

His regrets are few. "When I leave, I shall miss the company of nice people," said Smith. "It really is one of the greatest things about cricket."

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## THE WEEK AHEAD

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API 5.93p  
Bass 15.6p  
Brit Telecom. 7.45p  
BTP 3.85p  
Ex-Im Bank Jap 6¼% Gtd.  
Bds 2000 \$337.5  
Halma 1.008p  
Italy (Rep of) 7¼% Bds 93/98  
DM72.50  
Kleinwort Euro Priv Inv. 2.25p  
MS Intl 0.1p  
Nomura Intl. Sub. FRN. '04  
\$155.1  
Norway 7.25% Nts. '98  
C\$72.50  
Vodafone 1.97p  
Willoughby's Cons. 1.5p

■ TOMORROW  
China Invs. Tst. 0.5p  
FKI 2.2p  
Forminstar 1.17p  
HTR Inc & Growth Split Tst.  
1.5p  
Lombard North Central 6%  
Cum. 1st Prf. 3p  
Do. 5% Cum. 2nd Prf.2  
Mazda Motor FRN. 2000  
Y20.284  
Neilson Cobbold 3.5p  
Orflame Intl. SA 5p  
Do. SHS 5p  
Sheriff 4.75p  
Tate & Lyle A.D.R. \$0.8345

■ WEDNESDAY  
FEBRUARY 14  
Baggeridge Brick 2.375p  
Berkeley 2.3p  
Carlton Comms. 7½% Cv.

Sub. Bds. '07 £187.5  
Chubb Security 2.6p  
Colonial Fin. Gtd. FRN. '05  
\$336.61  
Faupeil Trading 0.7p  
Hozelock 6p  
INVESCO Eng & Int. Tst. 4p  
Meconic 1.65p  
Norway 5¼% Nts. 1997  
Y53.750  
Sanyo Elect FRN. '97  
Y107.305  
Teijin 6¼% Bds. '01 Y640,000  
0.8p  
UMECO 1.25p  
United Drug IRS.55p  
Universal Salvage 1.52p

■ THURSDAY  
FEBRUARY 15  
Abbott Laboratories \$0.21  
Anglo Am Inv. Tst. 6% Cum.  
Prf. R0.06  
Assoc Nursing Services 0.85p  
Burnside Invs. 1.75p  
Chase Manhattan \$0.45  
Colgate-Palmolive \$0.47  
Fishguard & Rossars Fall  
3½% Gtd. Prf. Stk. 1.225p  
Gibson 7% 2.5p  
Hambros Eurobond & Money  
Prft. Red. Prf. AS0.8907  
Do. Prft. Red. Prf. (Cont.  
Eurobond) DM1.3096  
Do. Prft. Red. Prf. (Cont.  
Money Mkt.) DM0.7748  
Do. Prft. Red. Prf. (Managed)  
18.44p  
costuninCo. Prft. Red. Prf.  
(North Am) \$0.76  
Do. Prft. Red. Prf. (Stg  
Eurobond) 17.99p  
Do. Prft. Red. Prf. (Stg Money

■ FRIDAY  
FEBRUARY 16  
Anglian 3p  
Barclays Bank 6.5% 2004 £65  
BOC \$0.2609  
Boots \$0.2252  
Britannia Bldg. Soc. FRN. '96  
£171.87  
Brit Funds 2¼% Trees '13  
£2,099.1  
BZV Equities (Bermuda) 4.75p  
Chemex Intl. 0.15p  
Chemring 7.32p  
Citicorp Banking FRN. '97 \$25  
Daily Mail & Gen Tst. 13.5p

Mkt.) 29.05p  
Do. Prft. Red. Prf. (US\$  
Money Mkt.) \$0.342  
Do. Prft. Red. Prf. (US\$  
Managed) \$0.246  
Do. Prft. Red. Prf. (Yen  
Eurobond) Y33.45  
Housing Fin. Agency 8¼% '18  
IR4.375  
Japan Dev. Bank 6¼% Gtd.  
Nts. '01 \$418.75  
Matheson Lloyd's Inv. Tst.  
0.8p  
Moorgate Inv. Tst. 1.75p  
Prostan 1.6p  
Sarwa Bank Can FRN. '05  
\$1,629.17  
Scottish Met Prop 10¼% Mort.  
Db. '18 £5.125  
Scottish Radio 4.4p  
Seas 7¼% Unsec. Ln. 92/97  
\$3,625  
SONAR Mort. Bk. FRN. '21  
£165.27  
Do. Class B. £198.58  
Utility Cable 0.39p

■ SATURDAY  
FEBRUARY 17  
Peabody Donation 10.25%  
Gtd. Secd. '23 £5.125

Do. 'A' Ord. 13.5p  
Dixons Grp. Treas 7¼% '04  
£77.50  
Drive Sec. Class A FRN. '96  
£177.48  
Do. Mezz. FRN. '96 £197.35  
Fairbairn Euro Small. Index Tst.  
0.8p  
Forte 10% Mort. Db. 2018 £5  
Gates 5% 3.5p  
Do 5% Cum. 2nd Prf. 3.5p  
Halifax Bldg. Soc 6¼% Bds  
'04 £65  
Do. 10¼% Sub. Bds. 2018  
£1,050  
Hasbro \$0.08  
ITOCHU 9¼% 1997 \$4,750  
Japan Fin. Municipal Ents  
9¼% Gtd. Bds. '05 £91.25  
Moorgate Invs. Tst. 1.75p  
NatWest Bank Prim. Cap. FRN  
\$313.06  
Do. Variable Rate Cap. 2008  
\$162.92  
Nippon Credit Bank Fin.  
\$3,264.72  
Pilkington 1.75p  
SKOPBANK- Finn Svgs Bks  
Ass. B. VRN. \$172.50  
State Bank NSW 7% '04 A\$70  
Do. Ext. FRN. \$314.65  
United Utilities 9.27p

## UK COMPANIES

■ TODAY  
COMPANY MEETINGS:  
INVESCO Recovery Tst., 11  
Devonshire Sq. E.C. 12.00  
BOARD MEETINGS:  
Finals:  
Gartmore Micro Index Trust  
Olim Convertible Trust  
Wellington Underwriting  
Interims:  
Armour Trust  
Bryant  
Second Alliance Trust

■ TOMORROW  
COMPANY MEETINGS:  
Baggeridge Brick,  
Birmingham Chamber of  
Industry and Commerce, 12.00  
Hardys & Hansons, Kimberley  
Brewery, Nottingham, 11.30  
RCO Hldgs., 20 Old Bailey  
E.C., 3.00pm  
Titon Hldgs., International  
House, Peartree Rd., Stanway,  
Colchester, 10.00  
Windsor, 1 Great Tower St.  
E.C., 12.00  
BOARD MEETINGS:

Finals:  
British Petroleum  
Irish Banks  
Johnson Fry Second Utilities  
Trust  
Kleinwort O'ceas Inv. Trust  
St Modwen Properties  
TR Pacific Inv. Trust  
Updown Inv.  
Warrants & Value Inv. Trust  
Interims:  
Fleming Overseas Inv. Trust

■ WEDNESDAY  
FEBRUARY 14  
COMPANY MEETINGS:  
Daily Mail & General Tst.,  
Kensington Close Hotel,  
Windsor Lane, W., 11.00  
Fenchurch, Bakers Hall, 9  
Harp Lane. E.C., 12.00  
BOARD MEETINGS:  
Finals:  
Flying Flowers  
Lloyds Abbey Life  
Scottish American Inv.  
Schroder Split Fund  
Vardon  
Interims:

Eaglet Inv. Trust  
For. & Colonial Inc. Growth  
Inv. Trust

■ THURSDAY  
FEBRUARY 15  
COMPANY MEETINGS:  
Aberforth Smaller  
Companies, 14 Melville St.,  
Edinburgh, 6.30  
Chemex, 44 Worship St., E.C.,  
11.00  
Electra Invs. Tst., 85  
Kingsway W.C., 12.00  
Scottish Radio Hldgs.,  
Clydebank Business Park,  
Clydebank, Glasgow, 12.00  
BOARD MEETINGS:  
Finals:  
CLM Insurance  
Gen. Cons. Inv. Trust  
Greenfield Inv.  
Mersey Docks & Harbour  
Royal Dutch/Shell  
Ward  
Interims:  
Allied Leisure  
Armitage Brothers  
Pantheon Intl.

■ FRIDAY  
FEBRUARY 16  
COMPANY MEETINGS:  
Bearing Power Intl., Institute  
of Directors, Pall Mall, S.W.,  
11.30  
Watson & Phillip, Strathtay  
House, Dundee,  
12.30  
BOARD MEETINGS:  
Finals:  
Baring Tribune Inv.  
Interims:  
Birse

Company meetings are annual  
general meetings unless  
otherwise stated.

Please note: Reports and  
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six weeks after the board  
meeting to approve the  
preliminary results.

مكاتبنا في القاهرة



هنا نحن الآن

ARTS



WURZBURG The 16th-century Venetian decorator, the... (text continues)

VIENNA Peter Grimes, Benjamin Britten's... (text continues)



LYONS On Thursday the Musée des Beaux-Arts... (text continues)



NEW YORK One of the biggest-ever Fabergé... (text continues)

PARIS At the Opéra Bastille in Paris on... (text continues)

HAVANA Cuba has been putting fire into jazz... (text continues)

RUARY 12, 1996... (vertical text on the left margin)

The film journalist knows... (text continues)

You can tell someone's status in... (text continues)

So if I liked, would I talk to him... (text continues)

Lee's films, it happens, are about... (text continues)

"I love the combination of satire... (text continues)

They are certainly looking for... (text continues)



Ang Lee: 'When I got the script I hadn't read the book. But then I did and felt this call of destiny. I felt it was made for me'

Eat Drink Jane Austen

Nigel Andrews talks to Ang Lee, director of 'Sense and Sensibility'

sighs, "that our film comes out at... (text continues)

"war games" then being conducted... (text continues)

and to make it pure. The way peo-... (text continues)

In earlier films Lee also used... (text continues)

OPERA / David Murray Tristan, or something like it

These days, to see Wagner played... (text continues)

Without those "externals", unfor-... (text continues)

These may tickle jaded palates... (text continues)

Eight more performances at the Col-... (text continues)

INTERNATIONAL ARTS GUIDE... (listing various arts events)

BOLOGNA OPERA Teatro Comunale di Bologna... (listing Bologna opera events)

LISBON CONCERT Grande Auditório de Fundação... (listing Lisbon concert events)

LONDON CONCERT Barbican Hall... (listing London concert events)

NEW YORK CONCERT Avery Fisher Hall... (listing New York concert events)

PARIS CONCERT Salle Gaveau... (listing Paris concert events)

WORLD SERVICE BBC for Europe can be received... (listing world service information)

AMSTERDAM DANCE Het Muziektheater... (listing Amsterdam dance events)

CAPE TOWN CONCERT City Hall... (listing Cape Town concert events)

COPENHAGEN OPERA Det Kongelige Teater... (listing Copenhagen opera events)

LONDON CONCERT Royal Albert Hall... (listing London concert events)

NEW YORK CONCERT Avery Fisher Hall... (listing New York concert events)

PARIS CONCERT Salle Gaveau... (listing Paris concert events)

WASHINGTON CONCERT Concert Hall... (listing Washington concert events)

ZURICH CONCERT Tonhalle... (listing Zurich concert events)

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Michael Prowse • America

Christian crusade

Religion could play as important a role in this year's presidential race as pocketbook issues such as taxes

In the middle ages, Christians joined military crusades to fight infidels. Now they are foot-soldiers in US political campaigns. Indeed the strangest aspect of press coverage of Republican campaigning in Iowa - at least in the eyes of an outsider - is that it has focused as much on something called the "Christian Right" as on the candidates themselves.

The stress on the voting intentions of religious conservatives follows the surprise victory of Mr Pat Buchanan, the fiery columnist, in last week's Louisiana party caucuses. Mr Buchanan's emotional demand for a Constitutional amendment banning abortion drowned out the free market message of his main opponent, Senator Phil Gramm of Texas.

The Christian Right - now the single largest faction in the Republican Party - showed its political clout in the 1994 congressional elections. If evangelical Christians had not voted Republican by a margin of three to one, the Democrats would probably not have lost their majority in the House of Representatives for the first time in 40 years. The Gingrich "revolution" might have never occurred and President Bill Clinton might by now have enacted much of his social agenda.

Religion influences politics because it permeates everything in US life. The point Europeans should grasp, says Mr George Weigel, director of Ethics and Public Policy, a Washington think-tank, is that the US has "fossilised the thesis that modernisation implies secularisation". If anything the US is more religious than 50 years ago, he claims. Opinion polls indicate 84 per cent of voters believe in heaven against 57 per cent in Britain and a mere 17 per cent in Denmark. Half the population claims to read the Bible at least once a week outside church and an astonishing 40 per cent describe themselves as "born again" or

evangelical Christians.

At first glance it is puzzling that these intensely religious folk are so conservative politically. In 1994 nearly 80 per cent of church-going white evangelicals voted Republican (blacks form a separate class and voted Democrat by a similar margin). The conservative bias was evident even among low-income evangelicals, who might be expected to lean toward the Democratic party.

In other countries voters with comparably strong religious convictions are often left of centre - and deeply suspicious of capitalism and property rights. Think, for example, of the Roman Catholic priests in Latin America who invented "liberation theology" and the British church leaders who seize every opportunity to condemn market-oriented policies. The puzzle is deepened because in the 1930s US evangelicals formed part of Franklin Roosevelt's "New Deal" coalition. Indeed, as recently as the 1950s, evangelicals were solidly Democratic.

According to Professor John Green, a political scientist at the University of Akron in Ohio, the shift of evangelicals and (to a lesser degree) Catholics from the Democratic to the Republican fold represents "a fundamental re-ordering of political preferences". There are two reasons for the shift, which has helped the Republican Party win five of the past

seven presidential elections.

The first is that evangelicals and other fundamentalist groups were alienated by the changes in social mores and policy that occurred in the 1960s and 1970s, such as the easier rules on abortion and divorce, the promotion of gay rights and the rise of radical feminism. "Bit by bit evangelicals felt antagonised," says Prof Green, and they saw the Democratic Party as "the engine of this liberalism."

The second reason for the shift in voting patterns is simply upward economic and social mobility. Several decades ago, evangelicals and Catholics tended to be poorer and less well educated than the population at large. They exerted far less influence than liberal "mainline" Protestants (such as Episcopalians and Lutherans) who had been culturally dominant since the War of Independence.

But as members of evangelical groups climbed the economic ladder (a rise associated with the shift in industrial activity to the southern states), they became politically more active, as well as ideologically more conservative. They also became more numerous relative to mainline Protestants whose churches have been falling rolls. The rising influence of evangelicals is mirrored in the startling growth of Mr Ralph Reed's Christian Coalition, an advocacy group with 1.7m

members and the power to dictate chunks of Republican social policy.

Prof Green is not alone in arguing that "religion was more important than economics" in determining the outcome of the 1994 elections. As the table shows, all three of the main religious groups voted disproportionately Republican, with bigger margins among regular church-goers. White evangelicals alone accounted for nearly a third of the total Republican vote. The Democratic rout would have been more severe but for the support of key minorities, such as blacks, Hispanics and Jews, and (less decisively) that of secular voters - the 8-14 per cent of the electorate who say they are not religious.

Some pundits assume that the Republicans' failure (to date) to get much of their economic agenda enacted could fatally undermine their electoral appeal this year. However, given the importance of religion in US politics this could prove a miscalculation. Evangelicals may not care that Mr Clinton blocked much of the "Contract with America"; they are not going to abandon the Republican party because the budget is still unbalanced. What really exercises them is the nation's alleged "moral decline" as reflected in the rise in out-of-wedlock births, violent crime and other social pathologies.

Mr Clinton, a Southern Baptist, knows how to court religious voters. In pledging a "new covenant" with the American people in his 1992 campaign he made deliberate and overt use of religious imagery. But his success this November cannot be taken for granted unless he can find a way of winning back at least a portion of the evangelical and Catholic voters who have deserted the Democratic Party and who question his leadership on "character" grounds. That will require convincing talk on moral as well as pocketbook issues.

The religious vote Republican

1994 congressional elections	Voting Republican	Contribution to overall party vote	
		Republican	Democrat
White Mormons	78%	4%	1%
White evangelicals	75%	29%	11%
White mainline protestants	66%	27%	24%
White Catholics	53%	22%	22%
White seculars	44%	9%	12%
White other religions	39%	2%	4%
Hispanics	35%	2%	3%
White Jews	25%	1%	4%
Blacks	10%	2%	17%

Source: John Green, University of Akron

Nothing learned about technical analysis

From Mr Terry W. Young.  
Sir, Mr John Train's column "Don't waste time on charts" (February 8/9) is almost verbatim from his writings in 1980 (chapters 10 & 11 in *The Money Masters*) wherein he alleges that technical analysis does not, will not and has never worked for any considerable period. I am dismayed that Mr Train has learned nothing about the uses of technical analysis in the 15 years since he published *The Money Masters*.

Today's masters of trading frequently rely on computerised analyses of chart patterns to generate mathematical trading algorithms. Chart patterns and algorithms enable disciplined traders to make money by analysing, defining and controlling market risk. Money is made in the markets, both long term and short term, by controlling risk.

Wizards by Mr Schwager published in this decade. Because investors elect to control risk in a different style than those that Mr Train idolises does not mean that they are wrong or unsuccessful.

psychology and as a hint of future possible courses of action based upon historical precedence. The most successful traders combine a fundamental appraisal of future expectations (which Mr Train recommends) with a sense of timing and risk control (which Mr Train largely ignores). Charts provide that extra edge of discipline for many.

Long-term view behind latest step

From Mr Maurice Benisty.  
Sir, Your comment on the Groupe Videotron's disposal of its 56 per cent shareholding in Videotron Holdings ("New blow for cable TV as Videotron opts to sell", February 8) was evidence of the increasingly frequent "cable bashing" enjoyed by both investors and the financial press.

From Mr David Cairns.  
Sir, Arthur Levitt, the chairman of the Securities and Exchange Commission in the US, complains that European companies are chauvinistic in refusing to budge from their domestic accounting regimes. At the same time, he asserts that US accounting standards are the best and, by inference, should be adopted worldwide (Survey of accounting the US capital markets: "The world according to US GAAP", February 1). This sort of American chauvinism is fine when American standards are the best, but not when they lead to inappropriate and unsound international accounting standards.

The issue of accounting for deferred taxes is a prime example of where pressure to adopt an American standard is leading to a bad international accounting standard. As a result of this pressure, the International Accounting Standards Committee has recently proposed that companies should gross up tax-free income and expenditure which is not tax-deductible.

When US chauvinism is inappropriate  
Mr Levitt should distinguish between those American standards which are good and those which are bad. He should recognise that European companies have shown considerable flexibility in adopting good international standards. They are right not to budge when these standards are flawed or fail to deal appropriately with European circumstances.

It is precisely because the short-term performance of the industry has been below forecasts that the cable operators are now looking at consolidation to facilitate cost savings and increased purchasing power. In Videotron's case the move is far from "a fresh blow to the industry" but a balanced response to market trends and the need to concentrate capital on the fast changing North American markets.

From Mr Mark Goyder.  
Sir, Samuel Brittan (Economic Viewpoint, February 1) is right to point out the distinction between a "stakeholder" economy and a "shareholder" enterprise. And he is right to note the reluctance of the RSA inquiry "Tomorrow's Company" to use the "word".

Argument addresses wrong positions  
The *Tomorrow's Company* position is as follows:  
1) To win - and so create lasting shareholder value - in a giddy global economy, the company must be fast on its feet and all its people need to be dedicated and creative.  
2) Money alone will not buy that to achieve exceptional performance from employees and suppliers, and a stronger "licence to operate" companies need a purpose that inspires their own people and values that win public confidence.  
3) Each company has to find its own route to success, but those which define - and measure - success in a way that excludes customers,

suppliers, employees, or community expose shareholders to risk and deprive them of future value.  
4) Tomorrow's world class company has to inspire loyalty, trust, and creativity in all its relationships. Tomorrow's boards have to find ways of ensuring this is being done well. That's the inclusive approach to success, and the inquiry pointed out that boards who ignore it risk failing in their fiduciary duty.

Maurice Benisty, media and telecommunications finance, Banque Paribas, 33 Wigmore Street, London W1H 0BN, UK

Mark Goyder, director, Tomorrow's Company, 8 John Adam Street, London WC2N 6SZ, UK

Prices moving up refer to pulps sold to peripheral markets

From Mr Roger A. Wright.  
Sir, I was flattered to be quoted in your article headlined "Pressing down the pulp matter" (February 8). However, I would respectfully ask that you clarify a most

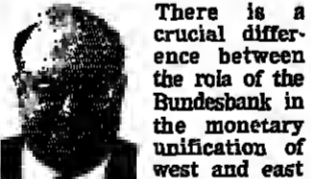
important point. Although I do believe, as is stated in the article, that "prices may be heading back to \$400 a tonne" this refers to mixed tropical hardwood pulps sold in peripheral markets.

The costs of producing and delivering northern grades of market pulp which account for almost 50 per cent of world supplies are more than \$600 tonne. Even bungee jumpers don't

use rubber cords which are longer than the drop.  
Roger A. Wright, Hawkins Wright, 18 Thurlow Place, London SW7 2SP, UK

Samuel Brittan

How Bundesbank sees Emu



1990 and the role it will have in Germany's decision whether or not to go ahead with European economic and monetary union in 1999.

There is a crucial difference between the role of the Bundesbank in the monetary unification of west and east Germany in 1990 and the role it will have in Germany's decision whether or not to go ahead with European economic and monetary union in 1999. One is the European Commission, which is not supposed to take instructions from national authorities.

the face of a hostile vote in the Bundestag. It is quite likely that the spectre of other currencies depreciating against the D-Mark in a competitive free-for-all will turn public opinion back towards Emu. But the Bundesbank is reluctant to use such arguments and believes it will have most influence if it acts as the dragon guarding the Maastricht conditions.

German central bank recognise that a judgment will be required on whether an apparently excess deficit might be justified by exceptional economic circumstances or by remedial measures that have been put in train. The supranational elements will come in through majority voting in the European Council and through the automatic application of penalties once a decision is made.

There are two international institutions which have to give a professional view in the winter of 1997-98 on which countries are ready for monetary union in 1999. One is the European Commission, which is not supposed to take instructions from national authorities.

The Bundesbank will, in practice, be able to block economic and monetary union, but will need all its persuasive powers should it come out in support

But the German central bank believes the bulk of European unemployment is structural and not to be attributed to a paid fiscal or monetary policies. It has, moreover, a robust scepticism about the cyclical adjustments which economists make to reduce budgetary deficits. Hence, its unwillingness to support talk of flexible interpretation.

Many economists, most recently Prof Willem Buiter of Cambridge University, have argued that the deficit and public debt ratios in the Maastricht annex "make no sense". But even if Buiter is right, as he may well be, there will be no Emu unless the members pay some respect to the stated conditions. The real justification for the fiscal criteria may be, as Buiter suggests, not monetary but to make it less likely that "a debt default contingency would ever arise or blackmail the rest of the EU into servicing part of its debt" (Centre for Economic Policy Research discussion paper 1222, August 1995). In any case, the Bundesbank will not let go of the criteria.

Thus the Bundesbank will be perfectly free, indeed duty bound, to state which (if any) countries in its opinion satisfy

the Maastricht criteria. It is the report signed by the Bundesbank which will, of course, matter for German public opinion.

Strictness does not mean insensitivity to the business cycle. Just like the Commission and the EMI staff, the Bundesbank does not want to base an Emu decision on the vagaries of business conditions in any one year. It is interested in the sustainability of the budgetary position of candidates for Emu.

Meanwhile, there is nothing more foolish than the attempt by some British ministers to inactivate that Emu will be postponed. This is so obviously a self-serving device to paper over Conservative divisions and to say nothing about what will happen in the next British parliament. A postponement into the latter part of 1999 or 2000 would count as a technical adjustment. But anything longer would be more serious; and if the British government were seen to have a role in the delay, its influence in subsequent decisions would sink even lower than it is to

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COMMENT & ANALYSIS

FINANCIAL TIMES

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Monday February 12 1996

After the ceasefire

Pragmatically, the IRA ceasefire is over. The search for a political settlement in Northern Ireland which accommodates the competing aspirations of unionists and nationalists should continue.

The resumption of the IRA's murderous bombing campaign has all but shattered hopes of a permanent break in the cycle of violence which claimed more than 3,000 lives during 26 miserable years. In one act of terrorism the IRA has broken the fragile trust which 17 months of peace had begun to build among the divided communities of Northern Ireland. The danger now is of an escalation of violence, with bombing on the British mainland spiralling over into a resumption of sectarian killing in the province.

The bombing casts serious doubt on the motives and the influence of Sinn Féin, the IRA's political wing. Mr Gerry Adams and Mr Martin McGuinness have stated they had no advance knowledge, but both have refused to condemn the murder and maiming of innocent bystanders. The obvious conclusion is that either the Sinn Féin leadership has been marginalised or, more likely, that it has acquiesced in a resumption of violence. Either way the IRA's military commanders have reasserted their primacy.

So Mr John Major and Mr John Bruton, the UK and Irish prime ministers, are entirely right to conclude that Sinn Féin can have no place at the negotiating table without another, permanent, ceasefire or unless and until it entirely disassociates itself from the IRA campaign. If the IRA assumed that it could win concessions by bombing London, the calculation must be shown to have been utterly wrong.

Political risks  
In this London and Dublin governments deserve, and should expect, the strongest support from the US administration. Mr Bill Clinton has taken political risks in lending credibility to Mr Adams and Sinn Féin. He should not be criticised for that.

The problem with cable

What is wrong with UK cable? For more than a decade, cable companies have dug up the roads of Britain in pursuit of the vision of wired cities. Yet, many cable shares have underperformed the FTSE market by about a third in the last year. Last week, Videotron, Canada's third largest cable television group, announced it wants to sell its majority stake in the UK's seventh largest cable company.

Too expensive  
The essential problem with cable is that it is too expensive, largely because of the UK cables buried underground. Cable television currently costs £1,500 per home connected; even if penetration were 100 per cent, the cost would still be about £300, more than a receiver for satellite or for the forthcoming digital television services. In telephony, BT's costs are dropping fast. Moreover, wireless telephony, using radio signals to link with mobile phones or fixed aeriads, is emerging as a cheap way to connect homes.

Real competition  
Cable companies may have a legitimate case that the terms on which BSkyB sells them programming are unfair; the Office of Fair Trading is currently considering the complaint. But that simply emphasises cable's failure to develop its own programmes, pace Mirror Group's Live TV and its proposed pay-per-view.

What about the cable companies' second shot: the right to offer telephony? Cable is providing stronger competition for UK residential customers. Telephone penetration is now 98 per cent (1.3bn), having outstripped television subscription levels last autumn. Cable has generally undercut British Telecom, and the advent of pay-per-view offers the customer a choice to keep the same telephone number when changing operators - will help.

Friday night's bomb in east London has again reminded the world of the capacity of a determined cell of terrorists to destroy years of painstaking political effort in a momentary act of violence.

The only beneficiaries of the outrage are those who for decades have based their political credibility on sectarian strife. As he prepares his statement for the Commons today, Mr John Major, the British prime minister, might be forgiven for wondering whether the choice he faces is between maintaining the peace process or continuing his government. With a majority of only four, he cannot afford to lose the support of pro-unionist Tory backbenchers - and may soon depend on the Ulster Unionists. They will not allow him to hint at concessions to woo Mr Gerry Adams and others in the Sinn Féin leadership in the hope that they can still bring the Irish Republican Army with them.

That would be a disaster for the prime minister, says a senior Conservative. "We would not be able to guarantee full backbench support for him."

Yet if British ministers cannot talk to Sinn Féin, it will close the only channel of communication that exists with the IRA. The resumption of the "long war", as Republicans dub the armed struggle, will begin - with the targets initially on the British mainland.

From late last year, UK intelligence reports highlighted growing pressure in the republican movement to abandon the ceasefire. Restlessness has mounted at the IRA grassroots over the slow progress in the peace process. There was dissatisfaction with Mr Adams over his willingness to talk to the British despite tortuously slow progress towards the full-scale negotiations that were seen as the goal.

Friedland's lucky strike

Not even the biggest winner of the UK's national lottery has hit the jackpot quite as spectacularly as Robert Friedland.

Kinkel watch  
Life is not easy for poor old Klaus Kinkel. The German foreign minister failed last year to stake out a future for the small liberal Free Democratic party (FDP) and now seems to be losing his grip on the conduct of German foreign policy altogether.

Felix the fixer  
Keith Murray is hanging up his car keys - after failing his UK driving test for the 35th time. The Scottish publisher has spent close to £900 on 1,450 lessons over the past decade. Keith has now decided not to fill in a 36th test application.

Test mate  
Keith Murray is hanging up his car keys - after failing his UK driving test for the 35th time. The Scottish publisher has spent close to £900 on 1,450 lessons over the past decade. Keith has now decided not to fill in a 36th test application.

Retrobution  
The US music scene is rife with Retrobution - uncovers parts of the past some big names might prefer to forget.



John Kampfner and John Murray Brown consider the difficult dilemma now facing the British and Irish governments

Time to take stock

But Mr Bruton's sense of betrayal by Sinn Féin is palpable. Only last Tuesday he and his coalition partners met a Sinn Féin delegation in Dublin's government buildings. Equally let down by the decision of the IRA army council to return to violence are the moderate nationalists of Northern Ireland's Social Democratic and Labour Party. Their leader, Mr John Hume, believed that, somehow, they could forge a new political consensus through dialogue.

Mr Hume believed the key to a solution was not the isolation of the extremes, but bringing them into the political mainstream. It was for that reason he sometimes gave the impression of bending over backwards to placate the interests of Republicans. His work appears to have been blown apart. The immediate plan, according to UK ministers, will be to take stock. Mr Major's first priority will be to shore up security at high-profile buildings on the British mainland as well as around politicians and officials responsible for Northern Ireland.

In public he will continue his pursuit of elections for a constitutional convention, despite the opposition of nationalists and the Dublin government. That plan, while meeting Unionist demands, appears ever less likely to achieve its goal of getting all the main political parties to negotiations. The best Mr Major is likely to achieve is a concerted round of talks between the constitutional parties. But the chances now of weaning them away from entrenched positions appear more remote than ever.

OBSERVER

Angelou - President Bill Clinton's favourite poet. Her album, Miss Calypso, has just been re-released complete with a cover picture showing a lot of chest and leg. The distinguished author of *I know why the Caged Bird Sings*, it turns out, was once a night club vamp who jumped on the Caribbean handwagon set under way by Harry Belafonte's Banana Boat Song in 1957.

Warning on U.S. supplies of lead  
The Civilian Production Administration has issued a warning to battery manufacturers to conserve lead supplies as far as possible, since it foresees a deficit of 180,000 tons for 1996. Makers of paint, chemicals and tetraethyl lead for petrol will also be asked to conserve supplies. New development work in the United States would ease the tight lead situation, as would the return of workers to the mines and smelters, but the industries' reconversion to peace-time production is slow. Then there is the price problem.

Financial Times

100 years ago

Greek finances  
M. Delyanni, the Premier, to-day submitted to the Chamber the Budget for 1895, which places the revenue at 90,384,541 drachmas, and the expenditure at 90,222,350 drachmas. About seventy bills dealing chiefly with internal reforms were introduced. One of the measures introduced deals with a proposed increase in the gendarmery, which is to be entrusted exclusively with the maintenance of public order. Referring to the Foreign Debt, M. Delyanni declared that the negotiations for a satisfactory arrangement would shortly be resumed in Paris with the Bondholders' Committee.

50 years ago

Warning on U.S. supplies of lead  
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Channel tunnel operator to seek mediator for talks with banks

Eurotunnel plans £400m upgrade

By Charles Batchelor, Transport Correspondent

Eurotunnel, the Anglo-French company which operates the Channel tunnel rail link between Britain and France, plans to spend up to £400m (\$616m) over the next four years improving passenger facilities, despite its £2bn debt.

This week, Eurotunnel is expected to confirm that it will ask a French court to appoint a mediator - a mandataire ad hoc - to help with negotiations with its 225 banks about refinancing. Eurotunnel suspended interest payments on the debt last September.

Its banks have been told that appointment of a mandataire ad hoc would be an informal procedure which did not affect creditors' rights. Despite the debt, Eurotunnel

hopes to spend up to £400m modernising its terminals and expanding its fleet of shuttle trains to achieve an urgently needed increase in passenger numbers.

It expects to win the approval of its banks for projects intended to "tweak" the system and improve revenues. The sums proposed - between £60m and £100m a year - would come from operating income. But they would require annual approval by the company's instructing banks, the 19 banks with which it maintains regular contact alongside the six-strong steering group.

Main items of expenditure would be 15 additional shuttle wagons, expected to be delivered later this year, and two new shuttle trains, to go into service at the end of 1996.

Eurotunnel expects to place an order for the two trains within

weeks at a price of about £38m, less than half the price per train it paid for its original fleet ordered on its behalf by TMI, the construction consortium which built the tunnel.

TMI, with little understanding of rolling stock and little incentive to bargain hard, Eurotunnel said. The original stock also had to bear development costs. The new order would not be placed with Breda of Italy, which supplied the original trains.

The new rolling stock will be built to a simpler design - props to support each wagon when cars and trucks are loaded have been deemed unnecessary - and will be cheaper to maintain. But it will meet the same safety requirements which added to the cost of the original trains.

Other improvements Eurotunnel plans include development of more retail space at its

Folkestone and Calais terminals. Duty-free sales, which include a one-third discount on the prices charged by Eurotunnel's ferry rivals, are to be expanded.

The company also plans to improve facilities for business travellers at its terminals. Business travellers account for about 25 per cent of all journeys. Eurotunnel is considering creating business lounges similar to those at airports.

It hopes to make the journey in the shuttles more interesting, possibly by providing video screens or interactive terminals at which travellers could order from the duty-free shops. Introducing trolleys selling refreshments or duty-free items would be difficult, however, because of the narrow aisles and fire doors between compartments.

Spanish link proposed, Page 14

THE LEX COLUMN

Media machinations

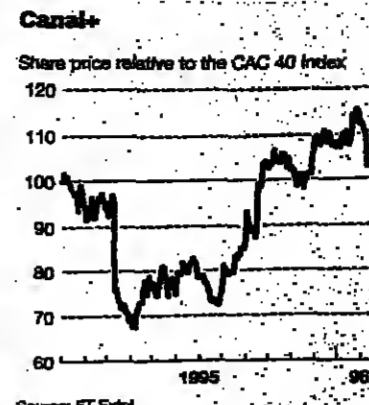
The Byzantine manoeuvring over who will dominate German pay-television is reaching fever pitch. Last week saw Mr Leo Kirch, the Bavarian mogul, snap up the lion's share of the TV rights to German football and splash out a reputed DM1bn-plus for the German-language rights to all Columbia Tristar's movies for the next decade. Mr Kirch is also indicating that he may introduce his own technology for pay-TV via satellite, overturning an earlier deal to join a venture led by Bertelsmann and France's Canal Plus.

Mr Kirch's rivals have not been idle. Havas, the French media conglomerate, has launched a Frbn convertible issue - which would come in handy if Canal Plus and Luxembourg's CLT, in both of which Havas holds stakes, carry out their threats to launch competing German pay-TV services. One way of stopping that would be for Canal Plus to buy out GBL of Belgium's controlling stake in CLT. Indeed, the Machiavellian interpretation is that GBL is pushing CLT to compete with Canal Plus with precisely that aim in mind.

That may also explain the rumours that CLT is on the point of cutting a deal with BSkyB, Mr Rupert Murdoch's UK satellite group. While Mr Murdoch certainly wants to muscle in on the German pay-TV market, an alliance with CLT is just one option. Nevertheless, if CLT did secure Mr Murdoch as a partner, it would become a more credible threat to Canal Plus's venture and so increase the pressure on Havas to pay a handsome premium for GBL's CLT stake.

Why this jockeying for position? Because Germany's embryonic pay-TV market is potentially the largest and most profitable in Europe. So far there is only one pay-TV channel, Premiere, controlled by Bertelsmann/Canal Plus, in which Mr Kirch has a minority stake. But digital satellites capable of beaming dozens of new channels could bring an explosion in demand.

The market is also fairly open. Nobody has yet cornered it, unlike BSkyB in the UK and Canal Plus in France. The most attractive film and sports rights are split between Mr Kirch and Bertelsmann. Meanwhile, CLT hopes to build a pay-TV business on its RTL subsidiary, Germany's most popular "free-to-air" broadcaster - though Bertelsmann, also a big RTL shareholder, is fighting to wrest away control. As for Mr Murdoch, he brings to the table not only BSkyB's expertise in pay-TV but also Vox, a smallish German channel in which Bertels-



Source: FT Ecolat

Fin yields to 15 per cent reflects an equally sharp increase in the market's faith in Russia's government.

Of course, buying Eurobonds before the election means taking the risk that interest payments to foreigners may not be a high priority for a Communist-led government. This risk is real, but small. A Communist victory is far from a foregone conclusion. Signs of populism from Mr Boris Yeltsin, much as they may unsettle reform enthusiasts, are no bad thing from this point of view. Nor is it obvious that even a Communist president would default on Eurobond repayments - especially since, despite its troubles, Russia has never defaulted on the Eurobonds issued in the Soviet era. But at their present yields, investors who believe all this would probably still be better off buying MinFin bonds instead.

Allied Domecq

Allied Domecq has become the stock market's latest demerger candidate. Following last week's profits warning, shareholder patience with the group is wearing thin. Allied's shares have underperformed by more than 40 per cent over the past four years, while earnings per share will be lower this year than in 1992. Investors are hoping the highly respected Sir Christopher Hogg, who takes over as chairman in April, will shake things up. If it were not for that prospect, the shares would be even lower.

The case for a demerger is simple: there is no industrial logic in combining an international spirits business with a UK pubs operation. On its own, each could attract a bid premium. Though relatively weak in whisky and cognac, the spirits division is strong in tequila and sherry; it is also well-tranched in Latin America. Guinness, Seagram and Grand Metropolitan would all be able to strengthen their product ranges and make savings by buying Allied and closing down most of its distribution network. Meanwhile, Allied's UK pub estate could be attractive to a number of brewers.

Even if Sir Christopher balks at a break-up, he could at least sell the retailing division. That would allow the group to repay its £1.6bn debts and invest more in its neglected spirits brands. A smaller, cash-rich Allied might also be an attractive recovery stock. Either way, City calculations of a 700p break-up value against a current share price of 515p point to considerable hidden value.

Russia

For the Russian government to announce plans for its first Eurobonds, months before a presidential election in which the Communist party has a chance of success, took chutzpah. It is not certain the bonds will actually be issued before the election, but Friday's vague announcement focused the market's mind. If a pre-election Eurobond issue is feasible, which many think it is, three-year dollar-denominated bonds would probably yield about 10 per cent, a touch more than Mexico pays. Not surprisingly, the yield of 15 per cent on Russia's existing MinFin bonds suddenly looked seriously overdone, given that the only difference between the two is that MinFin bonds cannot be redeemed outside Russia. The resulting sharp reduction in three-year Min-

New York to end freeze on number of yellow cabs

By Richard Tomkins in New York

New York City has decided to break with one of its oldest traditions by ending a 60-year freeze on the number of yellow taxis allowed to ply the city's streets.

For the first time since the number of taxi licences was capped in 1937, New York's municipal government is to auction 400 new licences, or medallions.

The move is expected to raise a badly needed \$80m for city funds over the next 2½ years.

At present the only way to acquire a medallion in New York is to buy one from an existing owner. Scarcity has driven up the transfer value of a licence to about \$220,000, and the trade is served by a thriving network of medallion brokers, financial institutions and lawyers.

When first issued, the licences cost \$10 a year. New York capped the number at 13,585 in 1937

Lifting of 1937 regulation expected to raise \$80m for hard-pressed city funds

because there were too many taxis for too few passengers.

Over the next few years the number of taxis dwindled to the present level of 11,787, as many owners went bankrupt amid poor business conditions.

Medallions started to gain value after the second world war as the taxicab business became more profitable. Since then, fare increases and rapidly rising passenger numbers have caused medallion prices to soar.

Issuing new licences is a sensitive subject among New York cabbies because it threatens to undermine the value of their existing medallions.

Owners would almost certainly sue the city if the value of their investment was noticeably impaired. The city has therefore adopted a cautious approach, raising the number of medallions

by only 3.4 per cent and staging the increases over 30 months.

It has also countered the effect of the dilution with last month's decision to lift fares by 20 per cent as part of a plan to raise the quality of the city's taxi service.

New medallions will be sold in three stages: the first 100 by June 30 this year, the second 100 by June 30 next year, and the final 200 by June 30 1998. Sealed tenders will be invited and the medallions will be sold to the highest bidders.

At the end of the process the number of cabs will have risen to 12,187. That is still small by comparison with London's 18,000 black taxis, but New York's yellow cabs are probably driven harder: a normal driver's shift is 12 hours, and most cabs are "double-shifted" - driven 24 hours a day.

UK to press ahead with poll plans

Continued from Page 1

the paramilitaries, said attacks on the Irish Republic were "inevitable" if the IRA made more strikes in mainland UK.

The Irish Garda police force said yesterday it was "monitoring the situation as it develops". Public access to Dublin's ministerial offices has been restricted.

The cost of the damage caused by the bombing is now put at between £75m (\$115.5m) and £150m by the Association of British Insurers. Many businesses could see their terrorism insurance costs increase by as much as two-thirds following the bomb.

Stewart Dalby in London writes: More IRA violence in mainland Britain or Northern Ireland could severely damage the province's recent economic revival, business leaders and economists said.

Northern Ireland has been enjoying an economic recovery in the 18 months since the IRA ceasefire, with gross domestic product rising more quickly than for the rest of the UK.

Unemployment is traditionally higher than for the UK generally, is at 11.4 per cent, the lowest since 1981. Tourism is booming, with arrivals this year expected to top 1.5m - more than 70 per cent up on 1994.

The Northern Ireland Industrial Development Board said inquiries from potential investors have increased by 64 per cent compared to a year ago.

Mr John Simpson, a leading economic commentator, estimates there could be 20 new foreign investment projects this year, valued at between £500m and £800m and implying the creation of 5,000 to 6,000 new jobs.

One immediate effect of the bomb will be an increase in security costs. The net cost of Northern Ireland to the British taxpayer is £3.5bn a year, of which £80m goes on security.

Body parts

Continued from Page 1

BioHybrid, said his group had "developed an artificial pancreas that may revolutionise current therapy for diabetes".

BioHybrid takes insulin-producing "islet" cells from pigs and encapsulates them in a half-permeable plastic membrane. This protects the cells from destruction by the human immune system but still allows them to take in nutrients from the bloodstream and give out insulin.

The encapsulated cells would be injected into the patient once or twice a year. "We have successfully used this technology to 'cure' diabetes in rodents and dogs," Dr Lanza said.

Japan and S Korea in dispute

Continued from Page 1

Island, under the United Nations convention on the law of the sea. The disputed island is surrounded by rich fishing grounds, which are of growing interest to Tokyo as Japan's fishery stocks become depleted.

The Japanese foreign ministry last week issued a formal protest demanding that South Korea cease plans to construct a wharf on the island.

Tokyo claimed that the islands are "historically and in view of international law, an integral part of Japan. The move is extremely regrettable".

The most recent chill in Japanese-Korean relations began with last year's statement by Mr

Tomichi Murayama, then Japanese prime minister, that the treaty for Japan's annexation of the Korean peninsula from 1910 to 1945 was technically valid.

Mr Kim snubbed Mr Murayama in response by cancelling a planned summit with him.

Mr Ryutaro Hashimoto, who succeeded Mr Murayama last month, draws political support from the right wing and war veterans' families and has gained popularity for promoting a diplomatically assertive Japan.

The "Tok-do issue" is also provoking nationalist fervour in South Korea, where anti-Japanese feeling is strong. Mr Kim has gained support across the political spectrum for his strong stand on the island dispute.

Weather forecast section including 'Europe today', 'Five-day forecast', and a table of 'TODAY'S TEMPERATURES' for various cities like Abu Dhabi, Accra, Algiers, Amsterdam, Athens, Atlanta, S. Aires, B. Ham, Bangkok, Barcelona, Beijing, Belfast, Belgrade, Berlin, Bern, Bogota, Bombay, Brno, Brussels, Bucharest, C. Hagen, Cairo, Cape Town, Caracas, Cardiff, Casablanca, Chicago, Cologne, Dakar, Dallas, Delhi, Dubai, Dublin, D. Vovrnik, Edinburgh, Faro, Frankfurt, G. G. G., Glasgow, Hamburg, Helsinki, Hong Kong, Honolulu, Jakarta, Jersey, Karachi, Kuwait, Las Palmas, Lima, Lisbon, London, Luxembourg, Lyons, Madeira, Madrid, Manila, Mexico City, Miami, Milan, Montreal, Moscow, Mumbai, Naples, Nassau, New York, Nicosia, Oslo, Paris, Perth, Prague, Rangoon, Reykjavik, Rome, S. Francisco, Seoul, Singapore, Stockholm, Sydney, Taipei, Tel Aviv, Toronto, Vancouver, Venice, Warsaw, Washington, Wellington, Winnipeg, Zurich.

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